

# DUPLICATION, WASTE, AND FRAUD IN FEDERAL PROGRAMS

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## HEARING

BEFORE THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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## DUPLICATION, WASTE, AND FRAUD IN FEDERAL PROGRAMS

WEDNESDAY, APRIL 26, 2017

U.S. SENATE,  
COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:01 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Lankford, Daines, McCaskill, Carper, Tester, Heitkamp, Peters, Hassan, and Harris.

### OPENING STATEMENT OF CHAIRMAN JOHNSON

Chairman JOHNSON. Good morning. This hearing will come to order. I want to welcome our witnesses. I appreciate your time and your testimonies, and I look forward to your oral testimonies and answering what I think will be some pretty interesting questions.

I frequently say, from this podium, that the Government Accountability Office (GAO) and the Inspectors General (IGs), you are our go-to Agencies in government, doing so much to root out and identify and eliminate waste, fraud, abuse (WFA) as well as duplicated programs, which is what this hearing is about.

The reports by GAO that really started with a pretty simple amendment, offered in 2010 by Senator Coburn, in the debate over increasing the debt ceiling—something we all hate to do, but, if we are going to do it, it is kind of nice to get some measure of control and a pretty simple concept—asking GAO to start issuing reports and doing inspections on different duplicative programs has resulted in \$75 billion worth of savings over 7 years, which is pretty remarkable. Based on the amount of budget authority that GAO has—\$3.8 billion over that same timeframe—that is a 20:1 return on investment (ROI), which is pretty good. And, I know your overall return on investment is what, Mr. Comptroller General?

Mr. DODARO. I will put the microphone on for this: 112:1.

Chairman JOHNSON. OK. And, I know the Inspectors General have a pretty good rate of return as well. So, I do ask unanimous consent (UC) that my written statement get entered in the record.<sup>1</sup>

Senator MCCASKILL. Without objection.

Chairman JOHNSON. I do want to start with a couple of charts I have prepared here for the hearing, just to put things in context. We got a recent Congressional Budget Office (CBO) report on the

<sup>1</sup> The prepared statement of Senator Johnson appears in the Appendix on page 33.

long-term debt and deficit,<sup>1</sup> and they always report these things as a percent of gross domestic product (GDP). And, we go through a fair amount of effort to convert those to dollars, because I think it is just a little bit more meaningful.

For the last number of years—because it has been a couple of years since they have updated their projection—I have been saying that the 30-year projected deficit is \$103 trillion. Well, we have moved forward in time and we have not solved the problem. And, now, unfortunately, the projected deficit, over the next 30 years, is \$129 trillion. That is about almost \$10 trillion over the next decade, \$37 trillion in the second decade, and \$82 trillion in the third decade. And, to put that in perspective, the entire private net asset base of the United States—in other words, all of the assets held by businesses and households—is equal to \$128 trillion.

This is, by the way, to be tacked on top of our \$20 trillion of debt—\$62,500 for every man, woman, and child in America.

What is unfortunate is, it seems like nobody is really paying attention to this. We are, certainly, not addressing it here in Congress, obviously, from the change from \$103 trillion to \$129 trillion, over the next 30 years.

So, I wanted to put that in context. And, I have one other chart here, which also puts in context the \$75 billion.<sup>2</sup> And, Mr. Dodaro, in no way, shape, or form do I want this detracting from your efforts here, which I think are laudatory. But, just so that everybody understands, in that same 7-year period, where GAO with their great work—20:1 return on investment—saved \$75 billion, we spent \$25,000 billion. We borrowed \$6.6 trillion of that—about 26 percent. So, in other words, 26 cents of every dollar we spent, we borrowed. Again, this is just kind of showing the magnitude of the problem here.

Again, I want to thank all of the witnesses. I think we are going to have a pretty good discussion with the Inspector General for Tax Administration, talking about refundable tax credits and the improper payments, fraud, and abuse of that program. Obviously, one of our favorite institutions are universities. And, one dear to my heart—all three of my kids went to the University of Wisconsin (UW) in Madison. We have Chancellor Rebecca Blank, and she is going to be talking about the duplication of different regulations imposed on research universities and just in general the overregulation—the difficult time that universities have dealing with Federal regulations on their operations. Then, we have Keith Repko from the Department of Veterans Affairs (VA) health system to talk about the problems in dealing with duplicative regulations in constructing health care facilities for the finest among us.

So, again, I think this is going to be a really good discussion—again, this is all laid before us because of a pretty simple amendment by Senator Tom Coburn 7 years ago—and then, the excellent work of Gene Dodaro and all of his good people working at the Government Accountability Office.

With that, I will turn it over to my Ranking Member, Senator McCaskill.

<sup>1</sup> The chart referenced by Senator Johnson appears in the Appendix on page 103.

<sup>2</sup> The chart referenced by Senator Johnson appears in the Appendix on page 104.

### OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. I want to echo many of the comments of the Chairman, and I continue to be frustrated—along with my colleague and the former Ranking Member, Senator Carper, who has carped on improper payments for as long as I can remember.

Senator CARPER. One of my favorite verbs: to carp.

Senator MCCASKILL. There you go. [Laughter.]

I think that GAO is such an important ally to this Committee. And, I want to take this opportunity, as I try to every time you are here, to make sure you tell all of the people in that big building that their work does matter. Even though it is too often ignored or set aside, what you all do is really important, and you are tremendous public servants. And, I love associating with the auditors at GAO, as a former auditor.

Your annual duplication report sets out some important work that you have done in investigating how the Federal Government spends tax dollars. You consistently identify concrete steps that we can take—and the Executive Branch can take—to eliminate a lot of wasteful spending. You all have saved so much money for this country, but there is, obviously, a lot more work that we have to do.

I want to welcome the other witnesses to the hearing today also. I especially want to welcome Keith Repko, who is here as the leader of the VA facilities in St. Louis. And, I do not think, probably, any other Members of this Committee can appreciate how nice it is to have that roll off my tongue, since we struggled in St. Louis, trying to fill this position for, literally, years on end. And, I think people need to realize some of the management problems in the VA can be borne out by the fact that we would open the head of the VA facility St. Louis job position and no one would apply.

Now, that tells you something. That tells you that there is a real problem in either the support these managers are getting or what we are paying them. But, when you open a job that has that kind of responsibility and nobody wants it, it means that we still have a lot more work to do in figuring out how can—so thank you for filling this position. It has been badly needed—the stability there has been badly needed, and we are thrilled to have you today. The reason you are here, today, is because one of the things pointed out in this year's report is the problems the VA has in managing construction. And, clearly, we have put a lot of capital into the VA. I have been somebody banging the table to get that done. I want to make sure our facilities are first-rate. I want to make sure they are adequate. I want to make sure that it is not a lack of facilities that is causing any undue delay or problems with our veterans getting health care. But, clearly, this report points out that this is not always being managed well, in terms of how these projects are being undertaken and how they are being executed. And, we want to spend a little bit of time on the management of those construction projects.

I also want to echo the comment about the tax credits. I am glad you are here, Dr. Blank, to talk about grants and the problems, in terms of administrative burdens on grant recipients and also administrative burdens on reporting crime statistics, which are difficult for our universities right now. But, I am also glad you are

here, because I think we need to talk about the growth in improper payments and a new form of tax credit—refundable tax credit—and that is the amount of easily determined overpayments in the American Opportunity Tax Credit (AOTC). It may not be as large as the other refundable tax credits. It does not mean it will not be if we do not get a handle on this—and the notion that it is just as simple as double-checking with universities and seeing how many hours someone is actually going to college is pretty jaw-dropping—that we are allowing \$1 billion to go out the door every year without just the rudimentary checks and balances as to determine whether or not those tax credits have actually been earned by students attending higher education.

So, thank you all for being here. Thank you, Chairman, for having this hearing. And, I look forward to questions and comments as we move forward.

Chairman JOHNSON. Thank you, Senator McCaskill.

It is the tradition of this Committee to swear in witnesses, so if you will all rise and raise your right hand. Do you swear that the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DODARO. I do.

Mr. GEORGE. I do.

Ms. BLANK. I do.

Mr. REPKO. I do.

Chairman JOHNSON. Thank you.

Our first witness is Eugene Dodaro. Mr. Dodaro has been the Comptroller General of the U.S. Government Accountability Office since 2010 and has more than 40 years of experience at the Agency, including as Acting Comptroller General, Chief Operating Officer (COO), and head of the Accounting and Information Management Division. Mr. Dodaro.

**TESTIMONY OF THE HONORABLE EUGENE L. DODARO,<sup>1</sup> COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. DODARO. Thank you very much, Mr. Chairman. Good morning to you, Ranking Member McCaskill, Senator Lankford, and Senator Peters. It is a pleasure to be here. I appreciate very much the words that you said, complimenting GAO—and I will make sure to pass it along to all of the people in the Agency. We have such a dedicated, talented workforce, and they deserve to hear such compliments.

I also want to assure this Committee, before I get into talking about this year's duplication report, that I am worried about the overall fiscal health of the Federal Government. I issued a special report this past January, saying that the Federal Government is on a long-term unsustainable fiscal path, and I called for an action plan by Congress to deal with the fiscal policy changes that need to be made.

Now, while there need to be changes made in fiscal policy, both on the spending and the revenue side—particularly, with entitlement programs—there are some other things that can be done.

<sup>1</sup>The prepared statement of Mr. Dodaro appears in the Appendix on page 34.



And, addressing overlap, duplication, improper payments, and the tax gap are among those areas.

This is our seventh annual report on overlap, duplication, and fragmentation—we report on what has happened over the last 6 years with the 645 recommendations that we have made, to date, in the first 6 years: 51 percent of those have been implemented by Congress and the Executive Branch, 31 percent have been partially addressed, and 18 percent have not been addressed at all.

As you pointed out, Mr. Chairman, \$75 billion has already accrued in savings, but there is another \$61 billion in the pipeline that will be accrued because of actions that have been taken. So, the total amount of savings is \$136 billion, so far.

Now, this year's report adds 79 new actions in 29 different areas that range across the Federal Government. For example, in—from the Department of Defense (DOD), which could save tens of millions of dollars by better managing their virtual training programs and integrating them into operational training—and simple things, like advertising for recruitment purposes, where there are seven different advertising programs that could compete in the same market. Hundreds of millions of dollars could be saved in implementing our recommendations on Medicare and Medicaid—as in providing payments for uncompensated care that hospitals give. We think that formula is outdated and does not reflect the true amount of uncompensated care, particularly, since it is going down with the expansion of Medicaid, for example. There are other areas where improper payments could be reduced in Medicare and Medicaid, and we have a number of recommendations in that regard. Most of the improper payments of the \$144 billion annual total in the Federal Government come from Medicare, Medicaid, and the Earned Income Tax Credit (EITC). So, I am glad we are addressing that today, and I am glad Russell is here to talk about that issue.

So, with the new areas that we are adding, there are 395 open recommended suggestions that have not been implemented. I recently met with the Office of Management and Budget (OMB) Director Mick Mulvaney. And, I mentioned to him that we are going to be sending letters to each of the Departments and Agencies, outlining our open recommendations. The letters will give priority attention to those recommendations that I think the head of the Agency needs to pay personal attention to over the coming months. I have sent similar letters in each of the last 2 years. And, I think, this will be particularly helpful as Agency leaders go through their exercise of looking at reorganizing, streamlining, and gaining some more efficiencies in the Federal Government. Most of our open recommendations are addressed to the Executive Branch, but I also have what I call the “Senator Lankford appendix” to the testimony this year, where he asks every year, “What can the Congress do? Give us a list.” So, we have 61 open matters for Congress to consider.

I would comment that most of the savings that have occurred, to date, have come from Congress taking action, and there are tens of billions of additional dollars that are still on the table that could be implemented and successfully achieved through implementing our open recommendations.

So, I look forward to continuing to work with Congress, and I look forward to continuing to work with the Executive Branch, which I am committed to do. I am now in the process of trying to meet all new Cabinet officials to talk about our working relationship and the recommendations that GAO has to make their operations more effective and efficient.

So, thank you again for the opportunity to be here, today. And, I look forward to answering questions at the appropriate time.

Chairman JOHNSON. Well, thank you very much.

I actually have a couple of charts. Let us put up the first improper payment chart.<sup>1</sup> Everybody has this in front of them. This just lays the groundwork, in terms of improper payments on refundable tax credits, just in these three programs: the Earned Income Tax Credit—and this is, I believe, 2015, correct?—\$69.8 billion; the Additional Child Tax Credit (ACTC) is \$28.5 billion; and the American Opportunity Tax Credit is \$4.4 billion. Those are the refundable tax credits. Improper payments were \$25.1 billion, or about 24 percent.

And, the next chart shows how this has been a problem, certainly, for the 7 years of the duplication report,<sup>2</sup> but, as I was talking to the Inspector General ahead of time—this has been going on for 20 years. And, in spite of all the good efforts, and publicizing this year after year after year, it does not look like we are making a whole lot of progress, as you can see how much money is being spent on the tax expenditure—on the tax credits—and how the improper payment rate still is above 20 percent—just stubbornly stuck there.

So, again, that is kind of the backdrop for our next witness, J. Russell George. Since being nominated by President George W. Bush in 2005, Mr. George has served as the Treasury Inspector General for Tax Administration (TIGTA). Prior to assuming this role, Mr. George served as the Inspector General of the Corporation for National and Community Service (CNCS). In addition to his work as an Inspector General, he served as a member of the Integrity Committee of the Council of Inspectors General for Integrity and Efficiency (CIGIE). Mr. George.

**TESTIMONY OF THE HONORABLE J. RUSSELL GEORGE,<sup>3</sup> INSPECTOR GENERAL FOR TAX ADMINISTRATION, U.S. DEPARTMENT OF THE TREASURY**

Mr. GEORGE. Thank you, Chairman Johnson, Ranking Member McCaskill, and Members of the Committee. I appreciate the opportunity to testify on tax-related improper payments.

TIGTA has conducted a number of reviews that evaluate efforts by the Internal Revenue Service (IRS) to reduce erroneous and improper refundable tax credit payments. My comments today will highlight our ongoing work.

Refundable credits are designed to help low-income individuals reduce their tax burden or to provide incentives for other activities. Because these tax credits are refundable, they are vulnerable to unscrupulous individuals who file fraudulent claims. To date, the

<sup>1</sup> The chart referenced by Senator Johnson appears in the Appendix on page 105.

<sup>2</sup> The chart referenced by Senator Johnson appears in the Appendix on page 106.

<sup>3</sup> The prepared statement of Mr. George appears in the Appendix on page 72.

Earned Income Tax Credit remains the only refundable credit the IRS has designated as high risk for improper payments. However, TIGTA has continued to report that the IRS' improper payment risk assessments for the Additional Child Tax Credit and the American Opportunity Tax Credit, also known as the education credit, substantially understate the risk of improper payments for these credits.

These credits, collectively, accounted for more than \$100 billion claimed during tax year 2015. For fiscal year (FY) 2016, the IRS issued an estimated \$25 billion in potentially erroneous payments for these credits. This represents a significant loss to the Federal Government.

In addition, the assessment of the risk related to premium tax credit improper payments continues to present challenges for the IRS. This credit, created by the Affordable Care Act (ACA), assists individuals and families in paying for their health insurance. Unlike other refundable credits, the IRS is not solely responsible for administering the premium tax credit. As a result, the IRS cannot effectively assess the risk of improper payments for this credit on its own. The IRS and the Department of Health and Human Services (HHS) continue to work on a methodology to effectively measure improper payments relating to this credit.

To reduce certain fraudulent and improper payments, Congress enacted the Protecting Americans from Tax Hikes (PATH) Act of 2015. Among other provisions, the act moves up the deadlines for Forms W-2, Wage and Tax Statement, and other income information-related documents, as well as provides the IRS additional time to verify EITC and additional tax credits that are based on the income individuals report on their tax returns.

According to the House Ways and Means Committee, these integrity provisions are projected to save roughly \$7 billion, over 10 years, by reducing fraud, abuse, and improper payments in refundable credit programs. To date, our work related to this legislation has found that the IRS has properly withheld refunds for returns with EITC and additional tax credit claims and released those returns that were not identified for additional review. IRS management informed us that these claims are being verified solely against Form W-2 data to identify claims that have unsupported income.

IRS management indicated that, for the 2017 filing season, they do not plan to use other income-reporting documents to systematically verify income reported on tax returns with refundable credit claims. The IRS has cited a number of technical challenges and timing issues that need to be addressed in order to use this information to verify income at the time tax returns are processed.

In addition, the IRS was unable to implement processes to identify erroneous claims for the 2016 filing season for taxpayers filing tax returns for prior years to claim certain refundable credits, referred to as "retroactive claims." Our review of tax year 2014 tax returns filed and processed during the 2016 filing season identified \$35 million in refundable credits that were erroneously paid to taxpayers filing retroactive claims.

Finally, the IRS still does not have the authority to correct tax returns, during processing, in which the information provided by

the taxpayer does not match information available to the IRS. As a result, the IRS must conduct an audit to address potentially erroneous refundable claims. Without correctable error authority, the IRS' ability to address those potentially erroneous refundable credit claims that it identifies, remains limited.

Mr. Chairman and Members of the Committee, we at TIGTA remain serious in our mandate to provide independent oversight of the IRS and its administration of the Nation's tax system. As such, we plan to provide continuing coverage of the IRS' efforts to identify and reduce improper refundable tax credit payments.

Thank you for the opportunity to present my views.

Chairman JOHNSON. Thank you, Mr. George. I did fail to point out the 7-year total on refundable tax credits—just those three areas is \$441 billion and the improper payments is over \$100 billion. It just shows the magnitude of the problem in just those three refundable tax credits—and with Obamacare—with even the House plan, we are looking at more refundable tax credits.

Our next witness is Rebecca Blank. Ms. Blank became the Chancellor of the University of Wisconsin-Madison in July 2013. Prior to serving as Chancellor, Ms. Blank served as the Obama administration's Secretary of Commerce. Under President Bill Clinton, she was a member of the Council of Economic Advisers. Chancellor Blank.

**TESTIMONY OF THE HONORABLE REBECCA M. BLANK, PH.D.,<sup>1</sup>  
CHANCELLOR, UNIVERSITY OF WISCONSIN-MADISON**

Ms. BLANK. Thank you, Chairman Johnson, Ranking Member McCaskill, and Members of the Committee. I appreciate having a chance to say a few words about the regulation of Federal research at our Nation's top universities.

I was an economist prior to becoming Chancellor at the University of Wisconsin in Madison, and I believe deeply that we must do everything we can to help research universities thrive. These institutions hold the key to our future economic prosperity.

But, they have also become some of the most regulated entities in this Nation. At least 35 Federal Agencies regulate our research at the University of Wisconsin, with multiple interpretations of the rules and many confusing, duplicative, and often unnecessary requests.

So, my message today is very clear. We have added layer upon layer of regulation, and we are at a point where this is seriously impeding the productivity of our scientists. There are as many as 23 different administrative responsibilities associated with every Federal research grant. Each of those steps requires time from either the researcher or the support staff.

Ten years ago at UW, we had 50 full-time staff handling the regulatory compliance issues on human and animal research projects. Today, we have 80. There is not another function on campus that has added 30 full-time positions at a moment in time when we have actually been working hard to increase efficiency and reduce staff.

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<sup>1</sup> The prepared statement of Ms. Blank appears in the Appendix on page 86.

Still, much of the burden falls not on staff, but on teachers and researchers, taking valuable time away from both the classroom and the lab.

The latest Federal Demonstration Partnership (FDP) survey indicates that, nationwide, scientists with Federal funding spent 42 percent of their time on regulatory and administrative activities—about 4 hours in a 9-hour day.

We recently surveyed our scientists at UW who do research involving human subjects. And, half of them—48.5 percent—told us they had given up—or almost given up—on at least one research study because of the red tape involved. We cannot afford to sideline potentially lifesaving research.

The 21st Century Cures Act and the American Innovation and Competitiveness Act (AICA) took some big steps in reducing these administrative burdens, but, as GAO notes in their report, there is more to be done. So, let me give you two recommendations.

First, two key provisions of the 21st Century Cures Act and the American Innovation and Competitiveness Act should be prioritized for implementation. The new Research Policy Board should be set up and streamlined grant application and reporting requirements need to be put in place as soon as possible. Right now, almost every Agency has different formats for submitting a research proposal, reporting on research progress, reporting on effort, reporting back on what your results are, and demonstrating compliance with the regulations. And, the Agencies have very different rules on how results should be saved and be made publicly available. That is confusing, costly, and inefficient. Recently, there was a report by the National Academy of Sciences (NAS) that details these problems. I encourage any of you with an interest to read through their much more extensive recommendations.

Second, the implementation of the final rule should be prioritized. This allows low-risk projects to be subject to different restrictions than high-risk projects. The recently adopted final rule, scheduled to take effect in January 2018, aims to reduce regulatory burden on human subjects research that poses little to no risk to participants. For example, survey research should be subject to different rules than medical research that may be testing medical procedures on human beings. But, without clear guidance to address differences in how these regulations are interpreted and applied, I promise you that problems will persist. Let me give you an example.

One of our pediatricians wants to create a registry to track health information from children across the State of Wisconsin, who have a very serious but relatively rare condition that can cause heart attacks at a young age. Sharing that information can improve medical care and can help keep health care costs down. We are actually 6 months into the effort to try to get approval for this project. And, we still have not been able to do so, because there are multiple sites that provide information to this registry. Every site is interpreting the regulations differently, and, therefore, every site is demanding different information from us and different restrictions.

Let me be clear that I am not arguing that we should do away with all of the regulations governing research. Federal regulations

help us ensure research integrity, they increase access to research data and results, and they help protect human and animal subjects in research. But, we need to be smart about the regulations that we have and how we implement them.

I have spoken today about the regulations affecting our research enterprise. But, let me note that my written testimony also gives a number of examples of excessive regulation that increases unnecessary costs and interferes with how we serve students.

No Nation on Earth has been as successful as the United States in building remarkable institutions that offer an outstanding education and conduct the kind of basic research that fuels innovation and helps solve immediate problems in the real world. That is why the rest of the world wants to send us their best and brightest students.

But, international preeminence does not come with a lifetime, forever guarantee. Excessive regulation of research universities can only erode their success over time.

Thank you for your commitment to helping to bring this unwieldy system under control. With your help, great research institutions, like the University of Wisconsin, the University of Missouri (Mizzou), the University of Michigan (UM), and the University of Montana, will continue to keep this Nation on the cutting edge of innovation.

Thank you.

Chairman JOHNSON. Thank you, Chancellor. Again, I really want to thank you for bringing this to my attention a couple of years ago, when you came to my office. And, the Small Business Administration (SBA) has studies that put the costs of complying with Federal regulations at \$2 trillion per year, which, if you divide that by the number of households, it is almost \$15,000 per year, per household. So, I appreciate the fact that the university is grappling with this problem and that you are highlighting it—our entire Nation—our entire economy as well. So, again, this is really good testimony. I appreciate it.

Our final witness is Keith Repko. Mr. Repko currently serves as Medical Center Director of Veterans Affairs of the St. Louis Health Care System where he oversees 3,000 employees. Prior to becoming Medical Center Director, Mr. Repko served as Deputy Director, where he led efforts to reduce veterans' access time to be in the top 25 percent of all VA facilities, as well as improved patient advocacy. Mr. Repko.

**TESTIMONY OF KEITH D. REPKO,<sup>1</sup> MEDICAL CENTER DIRECTOR, VA ST. LOUIS HEALTH CARE SYSTEM, VETERANS HEALTH ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS**

Mr. REPKO. Good morning, Chairman Johnson, Ranking Member McCaskill, Senator Lankford, and Senator Peters. Thank you for the opportunity to participate in this hearing and to discuss the design and construction projects at the Jefferson Barracks and John Cochran campuses of the VA St. Louis Health Care System.

<sup>1</sup> The prepared statement of Mr. Repko appears in the Appendix on page 98.

The St. Louis Health Care System is a dual affiliated, full-service health care system that provides inpatient and outpatient care in medicine, surgery, neurology, psychology, rehab, and many other subspecialties. It is a two-division facility that serves veterans in east-central Missouri and southwest Illinois. The John Cochran Division, named after the late Missouri Congressman, is located in midtown St. Louis and comprises the medical center's surgical capabilities, ambulatory care units, intensive care units, outpatient specialty clinics, and our emergency department.

One of the top priorities for the Department has been improving access to care. In St. Louis, we have taken that to heart. While more work remains to be done, both the VA and St. Louis have made real progress. In FY 2016, St. Louis hired 385 staff members, including 36 physicians, 4 physician assistants (PAs), 93 nurses, and 252 other critical occupations. We have extended clinic hours at five of our locations and hold Saturday clinics at two of them. Additionally, we have increased the delivery of care by using telephone consults and secure messaging to better use our providers' time, to improve access, and to meet veterans' care needs where it is convenient for them.

The Jefferson Barracks Division is a multi-building campus overlooking the Mississippi River in south St. Louis County. It provides psychiatric treatment, spinal cord injury treatment, geriatric care, rehab services, and has a domiciliary program for our homeless veterans. The VA is currently pursuing a major construction project on this campus that will enable us to better serve veterans' health care needs for decades to come.

The project is a joint Veterans Health Administration (VHA) and National Cemetery Administration (NCA) venture and will construct a total of five new buildings. The project will relocate primary care, mental health, and specialty care clinics out of its current 1920s-constructed building into a modern environment and allow for expansion of care. It will also construct a new patient aquatic and rehab facility, replacing an older facility that frequently we have to shut down in the heat of the summer due to the lack of adequate air-conditioning. Lastly, the project will replace an obsolete fire alarm system, construct a new support building, provide 800 net new parking spaces, and construct a facility to replace our obsolete engineering and consolidated warehouses.

Upon completion, the project will decrease the amount of infrastructure maintained and operated by VHA through the demolition of energy-inefficient and underutilized buildings. It will also provide approximately 30 acres to the NCA for the expansion of the Jefferson Barracks National Cemetery. Without this land, the cemetery will be closed to burials in several years. The total project cost is \$366 million. And, it was approved as a VA major project in 2004, partially funded in 2007, designed in 2008, started to be constructed in 2010, and is scheduled to be completed in 2020. Currently, the project is 52 percent complete and has no cost overruns.

The John Cochran campus also has a major project that was funded for design in 2010. The project proposes to construct a new inpatient bed tower and allow for the expansion of specialty care clinics—with an estimated cost of \$433 million. In 2015, all of VA's major projects, including the John Cochran project, were reevalu-

ated and rescored through the Strategic Capital Investment Planning (SCIP) process to ensure the project's requirements are still valid and that the project remained a high priority for the Department. The St. Louis John Cochran project did not score high enough to be included in the 2015–16 budget cycle, and, therefore, it is currently not actively being developed by the Department at this time. However, the project is eligible to be reconsidered in SCIP and will be reconsidered for funding in a future budget year.

In closing, each day we move toward our goal of improving and streamlining our processes, in order to provide the exceptional care that veterans earned and deserve. Mr. Chairman, this concludes my statement. Thank you for the opportunity to testify before the Committee today. And, I am pleased to respond to any questions from you and Members of the Committee.

Chairman JOHNSON. Thank you, Mr. Repko.

I will start the questioning with Mr. Dodaro. Quite honestly, when you take a look at the number of recommendations that have not been addressed at all in government, it is actually surprisingly low. The fact that you have over 50 percent fully implemented, 30-some percent partially implemented, and less than 20 percent not implemented is really a testament to, I think, what you have been able to accomplish in getting your recommendations implemented.

You said that Congress has actually passed laws that have been the primary reason for doing that. And, you have 61 recommendations now. Can you give us some kind of sense how many different laws—just kind of in general—it took to get that level of implementation? And, what would you contemplate with your recommendations, right now? Would you, maybe, suggest this Committee try and put those 61 recommendations into one piece of legislation and try to get that out on the floor and get it passed? Or, is this more effectively done kind of individual bill by individual bill?

Mr. DODARO. The approaches that have been taken, in the past, have mostly been bill by bill. For example, in eliminating the direct payments to farmers, it was handled through the Farm Bill. Congress let the ethanol tax credit lapse, so they did not actually have to do anything—and it went away. But, I think any legislative vehicle that you can come up with would be an appropriate vehicle.

Some of the recommendations to Congress for action have not been addressed for a number of years, and I am concerned that they could get stuck in the normal legislative process. So, perhaps, having a combined omnibus, if you will—or a package—would help. So, I think, any legislative vehicle would be good.

Chairman JOHNSON. I know, in past Congresses—I know Senator Ayotte and Senator Manchin tried to propose legislation that would have forced the Agencies to do this. But, I would love to work with Senator McCaskill and work with GAO.

Senator McCASKILL. Yes.

Chairman JOHNSON. And, let us craft something that will actually impose that requirement on the Agencies to implement these things.

Mr. DODARO. I think the past efforts have been focused on getting Agencies to implement all of our recommendations. I think it would be better if you target the specific recommendations that you are comfortable with that we have included—particularly, the ones



on the list of 61 for Congress to take action on. And then, there are other opportunities for Congress to put some pressure on the Administration to implement some of our other suggestions.

Chairman JOHNSON. So, we will work in a bipartisan fashion with your staff and different Senators. And, we will figure out what that list is. And, we will get a piece of legislation. I think Leader McConnell would be very open to—he is looking for bipartisan pieces of legislation to move across the goal line. So, let us definitely do that.

Mr. George, I remember—I think it was your 2012 report. You listed 10 addresses with—I believe it was the Earned Income Tax Credit—where there were multiple filings. And, the top address—I think there were 24,000 filings requesting and obtaining \$46 million of refundable tax credits. Was that the Earned Income Tax Credit or was that the Additional Child—

Mr. GEORGE. There were so many instances of people taking advantage of the tax system using that scheme, sir. So, it may have been the Earned Income Tax Credit. It could also have been the First Time Homebuyer Tax Credit (FTHBC) or the Additional Child Tax Credit.

Chairman JOHNSON. So, my question was—I mean, to me, one address with 24,000 claims—\$46 million. I know we are not making a whole lot of progress. Have we at least closed down that abuse after all of these years? Or, has the IRS still failed on that part?

Mr. GEORGE. I have to give—as I noted in my testimony—the IRS some credit, as it relates to the Earned Income Tax Credit. As, Senator, you and I spoke about out in the hall—and then as you discussed your opening remarks—and my comments—the amount of improper payments for the Earned Income Tax Credit was in excess of \$20 billion a year a few years ago. And, even though it is now roughly \$16 or \$17 billion, it is still moving in the right direction. Even though there was a slight uptick in the last—

Chairman JOHNSON. But, again, my question was: To me, it would be pretty simple to take a look at an address and say, well, we are not going to allow—if there are more than 10 refundable tax credits claimed, we are going to take a look at that. It is absurd that 24,000 claims went through one address. Have they fixed that problem at least?

Mr. GEORGE. They have not fixed it, no. No, they still have the problem, sir.

Chairman JOHNSON. Yikes. Part of the problem with these is the individual taxpayer identification number, correct? Rather than the Social Security number?

Mr. GEORGE. That is correct.

Chairman JOHNSON. That is just rife with abuse.

Mr. GEORGE. As it relates—

Chairman JOHNSON. Can you describe that?

Mr. GEORGE. Yes. Congress passed legislation that now requires the use of a Social Security number or, if you are a green card holder, the use of that number, for the Earned Income Tax Credit. However, for the Additional Child Tax Credit, which, again, is a growing problem—while we at the IG's office believe that Federal law does require that same restriction, the IRS has taken a dif-

ferent position on that issue. While we, again, have debated this back and forth with the lawyers at the Department, they will not—

Chairman JOHNSON. Well, let us tack that onto our GAO piece of legislation here.

Chancellor Blank, I do want to give you an opportunity, because I thought your written testimony about other overregulation was pretty powerful. As I am hearing your testimony too, what you are asking for is not no regulation, but some common regulation—some uniformity, so that you are not trying to comply with umpteen different reporting requirements that could all be grouped together—and provide common forms. Can you just talk about some of the other parts of your written testimony?

Ms. BLANK. That is absolutely correct. Right now, we have different forms for conflict of interest and different forms for reporting, submitting, and saving data. And, it becomes incredibly complex when a university like Wisconsin—like other big research universities that are getting research funding from many Federal Agencies—and every one has different requirements.

In my written testimony, I talk, not just about the research issues, but about the issues relating to students. One of the regulatory issues there that I find most compelling relates to the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Act (Clery Act), which regulates how we deal with crime statistics on our campus. It is a very important Act—very useful and valuable to us for tracking. But, certain interpretations of what the Clery Act—what the Department has put upon us, include such things as the requirement that, for any place where our students spend more than two nights, we have to collect local crime statistics and report them as if they were on our campus. So, whether our students—we had engineering students going off to an Elon Musk competition recently. Our athletic teams, obviously, often will spend multiple nights over—that takes an enormous amount of time and effort, working with local police in those areas. And, quite honestly, it results in a reporting of crime statistics that has nothing to do with our students and is simply a misperception about what type of crime is happening on campus.

So, that type of interpretation of the law just makes life very difficult and increases our expenses in ways that are not helpful.

Chairman JOHNSON. I will come back to this. Senator McCaskill. Senator McCaskill. Thank you.

Let me first do the VA. Mr. Dodaro, your 2017 report talks about the management of medical facility construction projects. And, basically, what I gather from the report is that you have an Agency within the VA that is supposed to be overseeing this at each local site, but there is not appropriate coordination between the onsite personnel and this part of the VA that is supposed to be managing all of these construction projects. Is that a fair summary? Or, can you fill in—

Mr. DODARO. There is really not good coordination. Now, the VA, generally speaking, is a very decentralized organization with very little oversight and accountability from the central organizations of the VA. I could say that, broadly speaking—that applies to health care and that applies to disability as well.

In this case, the change orders that were being approved were not going through regular, timely process and design changes. And, you could see these add to the cost of the projects. So, we asked them to put that under a better control process, so that the change orders could be approved in time and so everybody knew what the consequence of the change orders would be, and design processes there as well.

I think the big change that Congress required is now, going forward, any project over \$100 million is to be run by someone outside of the VA. Most of these projects right now are run by the Army Corps of Engineers, so you actually have people that are experts in construction projects. The projects under \$100 million are still being run by the VA. And, some of the projects that were over \$100 million that were not new—some of them were transferred, like the Denver project that ran into a lot of problem under VA management.

Now, the responsibility—if the construction is done by the Army Corps of Engineers or another organization—is for the VA to come up with the costs of activating the facility—actually putting the medical equipment in there and preparing it for operations. And so, that should help a lot by taking the big new construction projects out of the hands of the VA and putting them with the Army Corp or another competent organization.

Senator MCCASKILL. So, going forward, the Army Corps will be doing the projects that are as large as Cochran—

Mr. DODARO. Anything over \$100 million—it will either be the Corps or—the legislation requires somebody other than the VA. So far, they have gone with the Corps.

Senator MCCASKILL. Yes.

Mr. DODARO. They could choose someone else, but the Corps is the only one so far.

Senator MCCASKILL. I am proud that we do not have cost overruns with the projects in St. Louis. Mr. Repko, I think that is terrific. I know we are a little bit behind schedule, but a lot of that has to do with how quickly the VA has decided to request the money.

I think one thing that Americans need to realize is that Congress has been very generous to the VA. Since FY 2008, we have funded 177 percent of the requests from the VA. In FY 2009, we funded 183 percent of the requests. In FY 2010, 106 percent and in FY 2011, 100 percent. FY 2012 was the only time since FY 2008 that we funded less than 100 percent of the request that was made by the VA. I do not think there is anybody else in government that has that kind of track record, in terms of securing appropriations—particularly, for capital. Even the military does not have that kind of success rate, as it relates to capital. So, I am glad there are not overruns.

I do want to bring to your attention that I have recently learned that there have been some concerns regarding the quality of the ongoing construction at the facility at Jefferson Barracks. And, we have been in contact with the VA IG about this, and we have been assured that they are looking into it. Are you aware of any of these concerns about the integrity and quality of the construction that is ongoing there? I know it is not your direct responsibility, but are

you aware of any problems? Have they been brought to your attention?

Mr. REPKO. Just recently—actually, working with your staff in preparing for this—I became aware of some. But, I can tell you what—we have had a very good relationship with the facility. In fact, we have a team that works for the medical center—so works for my office—that interfaces—and that is their full job—to interface with the construction folks in the central office for the VA. And, our project is managed by the VA Office of Construction and Facilities Management (CFM), because it was prior to that other regulation.

I can tell you we have daily conversations—my staff does—with CFM staff, in managing the project—and myself and my Associate Director have weekly and monthly meetings with our staff. And, at this point, we have no concern of any serious issues with this project, either—moving forward—either in quality—I can tell you, I served as Chief Engineer for 12 years. And, in those years, I managed a lot of projects and had staff that managed a lot of projects. I can tell you that there is no such thing as a 100-percent perfect contractor or project. I would say that contractors would say that there is no such thing as a 100-percent perfect customer. But, I can say that, in our project, CFM is working through any issues. And, like I said before, there is nothing significant, either in quality—that I am aware of—or any concern that would jeopardize this project.

Senator MCCASKILL. OK. Moving on to the tax credits, I tried to take a look at the education tax credit. One of the things that jumped out at me, Mr. George, was that, of the 3.6 million returns with questionable education credit claims, 49 percent of them—almost half of them—were prepared by a tax preparer.

Mr. GEORGE. Yes.

Senator MCCASKILL. Do we not have something in place that, if there are tax preparers that are doing this—I mean, is that why one address is responsible for all of those, because that is somebody who has put a shingle out in a community saying, “Let me prepare your tax returns?”

Mr. GEORGE. There have been examples of that, Senator, but the IRS, in response to recommendations that we have made and concerns expressed by Congress, has begun outreach to tax preparers, who, in all candor, are at the front line, in terms of helping to avoid tax fraud.

Senator MCCASKILL. So, you think that, for 50 percent of these questionable education credit claims, these preparers just did not know any better? Or, were they trying to get over?

Mr. GEORGE. Well, I do not want to impugn everyone’s reputation. There is no question that some of it is ignorance and some of it was malfeasance.

Senator MCCASKILL. I would be interested, if it is possible, to know if these tax preparers were individual proprietors or if they were some of the large chains that do tax preparation. Obviously, if this is something that is endemic, it seems to me that the basics are making sure that a refundable tax credit that your agency is preparing for a client would follow the rules as to the Form 1098 and as to how long they are in school, as well as to the appropriate

institutions that qualify, which are the three big ones on that particular credit that always raise the flag.

Mr. GEORGE. We will endeavor to give you that information, but if I may, Senator, I do not want to let the IRS completely off of the hook here. The IRS has not used every avenue that it could to confirm that someone who applies for that credit is entitled to it. So, for example, the Department of Education (ED) has a list of databases, which the IRS—for free—or for a nominal fee at least—could have access to—

Senator McCASKILL. And, they are not doing that?

Mr. GEORGE. They are not doing it.

Senator McCASKILL. OK. That is ridiculous.

Mr. GEORGE. They are not doing it.

Senator McCASKILL. That is totally ridiculous.

Mr. GEORGE. And, it applies to additional credits, too. I have said this many times before at other hearings, but, whenever there is third-party reporting of income, it is almost a 99-percent compliance rate. But, once the IRS fails to have access to that third-party reporting and relies solely on an individual, the compliance rates drop dramatically.

Senator McCASKILL. Finally, I know I am out of time, but I really would like—and if you want to, I will wait until the next round for you to answer it—but I think it is important that, when you report to this Committee or any other Committee, you at least give us a sense as to whether or not the lack of staff—there have been dramatic staff cuts at IRS. No question we are leaving money on the table. I am not aware of any business that is in the kind of financial trouble we are in that decides it is a good idea to cut the receivables department. And, for some reason, because of politics, we have decided around here that the way that we are going to make points with our constituents is by cutting the IRS. Well, that is like cutting off our nose to spite our face, because these are the people we need to bring in the receivables. And, it does not make sense to me. And, I would like for you at some point—I know I am 2 minutes over, and the Chairman has been indulgent. We can wait until the next round to answer that.

Chairman JOHNSON. Very indulgent. [Laughter.]

Mr. GEORGE. Thank you.

Chairman JOHNSON. I would point out that we have given the IRS a lot more responsibility in these things as well. So, it is a real problem.

Also, I just want to be clear. The address used on a tax return is the taxpayer's address, not the preparer's address. So, again, 24,000 returns. It implies there are 24,000 people living at that address, which is, again, a pretty simple thing to check with databases. Senator Lankford.

#### **OPENING STATEMENT OF SENATOR LANKFORD**

Senator LANKFORD. That is a very crowded house, is what that is. [Laughter.]

Thank you all for being here and for the work that you are doing to be able to bring some of these issues to light. We appreciate that very much.

Mr. Dodaro, we have talked often about a bill that Senator McCaskill and I have worked on and tried to get done in the last session of Congress called the Taxpayers Right-to-Know Act. What you have done in the duplication work is phenomenal. What we tried to get accomplished in the last session, and what we can hopefully get accomplished very soon, is to be able to get some of these evaluation tools that are out there. We are missing a tool and you are missing a tool. We wait for this report yearly. When it comes out, it is something we should be able to pull immediately just with the Agencies making that information available.

Mr. DODARO. Right.

Senator LANKFORD. Every taxpayer should be able to pull this information. We should be able to see how things are evaluated. We should be able to see the basic spin patterns. It should not be a “rocket science request” of our Agencies—they already have that information—just to be able to make it available.

So, are there any other comments you want to make, as we have talked about before, on the Taxpayers Right-to-Know Act and that particular bill?

Mr. DODARO. I would urge Congress to complete passage of that bill and send it to the President for signature. I think it would make a huge difference in identifying overlap, duplication, and fragmentation in the Federal Government as well as provide a better accountability tool to Congress and the Agencies.

One of the biggest difficulties we have had in executing our responsibility under this requirement to produce this report is the lack of information that is available on the costs of programs. Have they ever been evaluated? What has the evaluation shown? This would have that information automatically available and be a much more efficient way to address this issue. So, I would encourage its passage.

Senator LANKFORD. Well, we look forward to that. It has passed unanimously in the House. And, it seems to get caught up in the Senate. And so, we will try to work toward final passage on that, to be able to get that done.

You mentioned in your report this year the uncompensated care issue in hospitals, which is an incredibly difficult issue to wrap your head around. I would like for you to be able to talk through anything you can about it. This balances out whether the Federal Government—as they pay hospitals for uncompensated care that comes in—or they pay it under the Medicare or the Medicaid portion. Talk us through that, because that is a \$1 billion savings, but that is also a very big issue to hospitals.

Mr. DODARO. Yes. And, it has been a big issue for years. The problem that we identified is that, right now, in order to determine how to pay uncompensated care, the Center for Medicare & Medicaid Services (CMS), uses the Medicaid workload of that particular hospital. They do not have actual numbers on what the uncompensated care has been, so they use a proxy. That proxy is not a good proxy. And, of course, with the expansion of Medicaid under the Affordable Care Act, there are more people insured, so there should be less uncompensated care, in theory and in practice. And, right now, payments do not reflect that change.

The second part of this that is a problem is, when CMS pays hospitals under the Medicare program for uncompensated care, it does not take into consideration what it has already paid under the Medicaid program. So, there is a possibility that CMS could be compensating hospitals more than once for the same costs.

So, we have recommended to CMS that it collect the actual cost figures for uncompensated care and reimburse the hospital based on the actual uncompensated care costs. CMS has agreed with that, but does not plan to implement it until 2021. They want to give the hospitals time to adjust. I would encourage Congress to encourage CMS to act more quickly. Given the unsustainable nature of these two programs and the need to reduce their costs, CMS should do it quicker.

Senator LANKFORD. You brought to CMS an issue that you identified before with the Affordable Care Act and the way the subsidies are done in areas where there is fraud potential there and areas you all tested.

Mr. DODARO. Right.

Senator LANKFORD. You brought to them eight recommendations about what to do. CMS said they were going to do it, and then did not implement any of those.

Mr. DODARO. CMS told us they are still trying to work through doing the fraud risk assessment. We understand it is almost complete. We are looking now at the premium tax credit, and its implementation by both CMS and the IRS. And, we should have a report available this summer for Congress. That will be our first complete look at that whole process. As Mr. George mentioned, both the IRS and CMS have responsibilities under that credit, so we are looking at both.

Senator LANKFORD. Thank you.

Russell, we have talked before about this as well—and that is the EITC and all of the refundable tax credits. Often, the IRS will come back and say this falls on preparers. As has been mentioned, about half of them actually have a preparer. IRS has said that, if we get a certification on these preparers, then we will get fewer mistakes. But, they attempted to do that about 6 years ago and failed. And then, they are trying to come back at it again.

The recommendation has been made to IRS before—instead of having a requirement that is a mandatory requirement for all of your preparers to go through a certification, you just say to preparers, “If you are going to get faster returns, you then have to go through this certification. If you are going to be a preparer, your return, if you are not certified, may take 3 months to come back. If you are certified, it may take 21 days.” And, to be able to just tell them, “If you want to be a certified IRS tax preparer and get faster returns to your clients, you have to do this.” That way they get training in the EITC. Why would that not work?

Mr. GEORGE. Senator, before responding—and I neglected to do this at the outset of my comments to questions—since President Reagan, every President has issued a directive indicating that tax policy is within the sole discretion of the Assistant Secretary for Tax Policy. And so, the answers that I am giving you are not on behalf of the entire Department or the Administration.

Senator LANKFORD. Fine.

Mr. GEORGE. But, there is no question that that is an idea that is worthy of consideration. But, as you pointed out, there was a sensible proposal to have certification. And, for some reason—again, whether it was the industry or others—it was not accepted.

Senator LANKFORD. Mr. Dodaro.

Mr. DODARO. Certainly, I could add on to this point. We recommended to the IRS several years ago that they should regulate the unenrolled tax preparers. They went ahead with a proposal. It got taken to court. The court found that the IRS did not have the statutory authority. So, I think Congress could give some authority in this area. It could be a good program. I think Congressional support would be important. We have an outstanding recommendation to do this. It is one of the things that we mentioned in our "High-Risk List Report."

Senator McCaskill mentioned that there is a high error rate associated with paid preparers. We sent an undercover team in to 19 tax preparers to try to see if they would give us the right answer. Only 2 of the 19 gave us the right answer.

Senator LANKFORD. That is not surprising in some ways, but it is stunning. And, one quick comment on this, Mr. Chairman, for the VA as well. Thank you for stepping up and taking the lead in the St. Louis VA and other areas. We have a brand new Director in the Oklahoma City VA, Mr. Vlosich, who is doing a fantastic job in trying to help with a turnaround. We are the poster child for what GAO has mentioned on construction issues. Currently, our seventh floor is not usable. Our third floor is not usable. We cannot get a parking lot finished outside. And, it has been a chain—the elevator does not work in the middle of the building. It has been just a chain of issues with contractors that Director Vlosich is trying to help us unpack and to be able to fix. But, this issue has been an ongoing issue. It is not new. But, I appreciate everyone stepping up to be able to take the lead and to be able to help us in that—as our Oklahoma City Director has done—as others have done as well. So, thank you.

Mr. REPKO. I know Wade, and it is my privilege and honor to serve in this capacity. Thank you.

Chairman JOHNSON. Senator Peters.

#### **OPENING STATEMENT OF SENATOR PETERS**

Senator PETERS. Thank you, Mr. Chairman. And, thank you to each of our witnesses for being here today and for your testimony. We certainly do appreciate it.

Dr. Blank, I owe you a special debt of gratitude, not solely because of your long track record in public service, which, of course, is distinguished, but also because you are the former dean of the Gerald R. Ford School of Public Policy at the University of Michigan.

Ms. BLANK. It was one of the excellent jobs that I have had in the past.

Senator PETERS. Well, that was the right answer to that—even though it was not a question. [Laughter.]

Senator MCCASKILL. She is not Big Blue anymore, though. She is all Badger, my friend.



Chairman JOHNSON. I was going to say, then she moved to God's country.

Senator PETERS. Point well taken, Senator. But, I will tell you, actually, I have several of my staff, including some of the folks who are in this room today, who appreciate your service at the University of Michigan.

Ms. BLANK. Thank you.

Senator PETERS. And, at the Gerald Ford School. So, thank you.

And, Mr. Dodaro, I also want to add to my colleagues' comments to thank you and your staff for your tireless work in putting this report together, as well as your other report. I am encouraged to hear that the \$75 billion figure that we have been given is soon to grow quite rapidly as well—and it is because of the tireless work of everybody there. So, please add my thanks to the other thanks that you have received from my colleagues.

Also, before I ask a couple of questions here, Mr. Chairman and Ms. Ranking Member, I would like to join in your efforts to get greater compliance with these GAO recommendations as well. In fact, I am working right now with Senator Gardner. We have a bill before this Committee called the Congressional Oversight to Start Taxpayer (COST) Savings Resolution, which would require hearing from the relevant Committees on these reports within a 90-day time period. So, however that may integrate with the work that you and Senator McCaskill are doing, I think there is a great opportunity for us to come together to make sure that what we have seen in performance continues.

The first question I have relates to what we have been talking a fair amount about today, and this is the payments, particularly for the Earned Income Tax Credit and other credits, as far as compliance. The figures are stunning. The fact that you have 20,000 returns going to one address is stunning. And, I say that—and the fact that I am really a founding member of the Senate Payments Caucus with Senator Rounds, looking at modern payments technology. I had a chance, recently, to be at one of these payments companies to see the work that they are doing in fraud detection. The private sector has really figured this out, because fraud is not just a problem with the EITC. Any kind of payments you are making as a company, if you are in the payments business, there is a lot of fraud out there. And, they have made great strides and have limited it substantially. And, the new technologies that are coming on board are really incredibly impressive.

To what extent do you think we need to just be looking at modern payments technology? It seems as if the IRS is not using any of it. This is to both Mr. George and to Mr. Dodaro.

Mr. GEORGE. Well, thank you, sir. I will say this: The IRS is not in a position to not disclose mistakes that occur or fraud that occurs when it is questioned by Congress, the IG, or GAO. I have worked in the private sector, Senator, and I am not questioning your point directly. But, a lot of times, banks will not disclose when their systems are breached, because they do not want to shock stockholders or regulators or what have you. Whereas, again, the IRS is not in that position.

There is no question that the IRS, in theory, could implement changes in their processes that could make it more difficult for peo-

ple to engage in unscrupulous behavior. But, they are so malleable—"they" being the "bad guys," as I call them—that it is very difficult for the IRS to keep up with it. As Senator McCaskill pointed out, it is partially a resource issue. As I pointed out before, the IRS sometimes simply does not implement changes that we think would be simple—and I believe you were in the room when I talked about how—if they shared more information with other Departments, such as the Department of Education, as it relates to the American Opportunity Tax Credit.

This is a little factoid I wanted to make sure that I conveyed to you before the end of this hearing. And, this is an opportunity to do so. The IRS did, on its own, make a request to Congress for what is called "correctable error authority," which would allow them to—if they saw mistakes or different types of information that they have, versus what the taxpayer provided, they would be able to change the taxpayer's tax filing form and give the taxpayer the opportunity to contest the information if it hurts the taxpayer, in terms of causing more of a tax liability than they think they are entitled to.

Now, if the IRS were given that authority, we estimate that it would cost the IRS approximately \$1.50 to implement that change. But, without that, the only way the IRS can do it is through an audit of the tax return. And, the audit costs roughly \$300 per taxpayer.

So, there are changes that could be made, but the IRS needs more authority. And, there again, they need to be able to cooperate more with other government Agencies.

Senator PETERS. Actually, with the time remaining, just one other question that is important—and we can talk further, Mr. Dodaro, about this issue offline. But, I want to draw attention to the issue in the duplication report about the challenges that we face in maintaining some of our satellite weather monitoring capabilities. I am the Ranking Member on the Committee that oversees the National Oceanic and Atmospheric Administration (NOAA). I am also a member of the Senate Armed Services Committee (SASC). And, you identify work—or duplication—between the Department of Defense and NOAA and what we need to do in order to have these essential capabilities operating.

Could you speak, generally, on how the Defense Department may need to rely on and collaborate with NOAA and other Agencies on this issue moving forward?

Mr. DODARO. It is very important to have collaboration between the Department of Defense and NOAA. NOAA is the gateway to a lot of the international agreements that our government has with satellite systems around the world that could be available to provide assistance. That is one of the problems that we identified in the Defense Department efforts. They did some outreach to NOAA, but did not follow up and did not have a formal process for doing it. And, as a result, DOD made some inaccurate assumptions about the availability of a European satellite, which would dictate what kind of coverage they would have, both for cloud characterization as well as in defense theaters of the imagery of weather situations that they would need for military purposes. And, as a result, they had to conduct additional analysis and come up with different

plans. This could have been avoided through a more formal process. We have suggested they do that. The Air Force has signed some agreements with NOAA, but they do not cover the rest of the Department of Defense. And, it does not focus on the actual exchange of data that would occur—or should occur—between the parties. This has been a longstanding problem.

Senator PETERS. Right.

Mr. DODARO. As you know, the next National Polar-orbiting Operational Environmental Satellite System (NPOESS) program—before, there was supposed to be coordination on the whole development of polar orbiting satellites. They were supposed to have combined programs into one capable of satisfying both civilian and military requirements. They never could come together. After years of efforts and billions of dollars, they could not reach agreement. So, the Obama administration decided they could develop their own efforts individually, because NOAA is responsible for one polar orbiting satellite for the afternoon orbit and the Defense Department is responsible for the polar orbiting satellite in the morning orbit. Our view, now, is that, even if that is the policy decision, DOD and NOAA need to talk to one another and to coordinate. And, they could use spare parts. They could exchange between each other. It just makes eminent sense. But, for some reason, they just are too sluggish in implementing this recommendation.

We have broader issues and recommendations with the space programs at DOD. There are 60 different entities operating it. Nobody is in charge, and we have made recommendations that there need to be some organizational structure changes.

So, I would be happy to talk to you or your staff more about this issue, along with our experts in the area, but it is very frustrating. And, billions of dollars get spent here without adequate management coordination.

Senator PETERS. Well, I would like to have further conversations with you about that. It certainly makes sense to coordinate that. But, I am also concerned about, in the President's budget, significant cuts to NOAA and what that would mean for weather satellites—and those satellites, as you mentioned, are important for the Department of Defense as well. And, a cut on that weather forecasting capability has impacts, not only with civilian operations, but for defense operations as well.

Mr. DODARO. Yes.

Senator PETERS. And, we have to think about this in a coordinated way. Would you agree?

Mr. DODARO. I definitely agree. In fact, I added the environmental satellites issue to our "High-Risk List" several years ago, because of concerns about gaps in environmental satellite data coverage that could have significant consequences both for DOD and its operations, but also to weather forecasting within the United States. These could include public safety and economic consequences, if we do not get adequate warnings, so that people can take precautionary measures. So, I am very concerned about this area—and I would be happy to talk to you more about it.

Senator PETERS. I appreciate it. Thank you so much.

Mr. DODARO. Sure.

Chairman JOHNSON. Thank you, Senator Peters.

I want to quickly pick up on two comments you made. It “makes eminent sense” and “for some reason we just cannot get this thing done,” and then go right to Mr. George, the error correction authority. As a business guy, if my comptroller comes to me and says, “Well, we can correct this for \$1.50 or we can keep doing it the way we are doing it right now that costs \$300”—again, it makes eminent sense that you would go the route where it only costs you \$1.50. But, for some reason—can you describe why we have not done this? Has there been an attempt in law? Has somebody tried to block this? Is there any rationale for not giving the IRS that error correction authority, so we can do it for \$1.50?

Mr. GEORGE. I have no idea whether or not there was resistance within Congress, but they do need legislative authority to do it. And, they currently do not have that.

Chairman JOHNSON. Gene?

Mr. DODARO. Yes. The IRS has been given this math authority for very specific types of tax credits and other issues. They have not been given the broader authority that Russell suggests—and we have made a similar recommendation. And, I think, with proper safeguards, the authority could be designed, I think it goes perhaps to mitigate concerns that Congress has about giving the IRS too much authority. There is a good case for it. With proper safeguards, it should be put in place. Nobody wants to disadvantage the taxpayer and the due process that they have.

Chairman JOHNSON. That would be the resistance—legitimate resistance about giving the IRS more power than it already has—kind of a suspect Agency. I got that.

I will go right to Senator Heitkamp, if you are ready.

#### **OPENING STATEMENT OF SENATOR HEITKAMP**

Senator HEITKAMP. I am. Thank you so much. Thank you—and a very important topic. And, as we look at narrower and narrower spending opportunities and more and more cuts, obviously eliminating duplication and making this work right is critical.

An area that Senator Lankford and I have been focused on has been Federal hiring. Last Congress, I introduced the Flexible Hiring and Improving Recruitment, Retention, and Education (HIRE) Act of 2016 to help the Federal Government hire and retain vibrant and effective Federal workers. I think that is absolutely critically important to supporting the work that the government does.

This idea came out of the challenges that we had during the Bakken explosion, and then taking a look at the challenges that we have in hiring U.S. Border Patrol and U.S. Customs and Border Protection (CBP) folks on the Northern border. So, my bill would give Federal Agencies a toolkit, I think, of resources to make hiring and human resources (HR) more flexible, improving recruitment and retention.

I think, Gene, my question is for you. Ensuring that Agencies have the resources they need, I think, is absolutely critical to addressing the Federal hiring challenges. And, it was really great to hear OPM's launching of the Hiring Excellence Campaign (HEC). How do we maintain efforts like that? What do you see, in terms of Federal hiring duplication improvements that we can make in the hiring structure that will get us people who actually pay atten-

tion to duplication and come to us with great ideas on how we can save the taxpayers money?

Mr. DODARO. One of the things that we suggest and recommend in our report is that these be a broadview of hiring efforts. We looked at hiring by Agencies in 2014, and we found there were 105 different hiring authorities Agencies used. But, Agencies used only 20 authorities to hire 91 percent of the people hired during that year.

And so, our recommendation to OPM is to determine whether the less used authorities are helpful. And, if not, maybe, we should eliminate them—refine them. Which ones are effective? Have they effectively communicated that across the Departments and Agencies?

In some cases, there may be a need to give additional authority, but we found that there is plenty of authority available—and Agencies are not using it fully. The question is: Why not? That is what we have recommended that OPM do. But, so far, they have only looked at and evaluated a handful of the 105 hiring authorities that we suggested they review.

Senator HEITKAMP. When you look at the aging of the Federal workforce and you look at how many people, theoretically, will need to be hired to replace people who are going to retire—I think it is like a third of the people in the next 5 years.

Mr. DODARO. Yes, right.

Senator HEITKAMP. How do we improve that process? And, how do we encourage some autonomy on the part of the Agencies, but still maintain an overall systematic approach? And, how do we avoid duplication and slowdowns in Federal hiring?

Mr. DODARO. Well, one of the first things would be to go back to regularly appropriating the money on time before the fiscal year—

Senator HEITKAMP. Really?

Mr. DODARO. Yes.

Senator HEITKAMP. So, we have to do our job in order for them to do theirs?

Mr. DODARO. I hate to bring this up. [Laughter.]

But, operating under a continuing resolution (CR) that is less than last year's money effectively limits—

Senator HEITKAMP. The most amazing thing, Gene, is that we all agree with you, but somehow it does not happen.

Mr. DODARO. I know. But, I would start there.

Senator HEITKAMP. OK.

Mr. DODARO. And then, I think you need to have OPM look at the hiring authorities. I do not think it is a problem of hiring authorities, to be honest with you. I think it is just a matter of execution on the part of the Agencies to use the hiring authorities. I think there is a cultural problem here that most of the personnel departments in Departments and Agencies are rule-based. And, they view their responsibility to make sure nobody does anything wrong, as opposed to making sure that they are proactive and helping the managers bring in the people that they need as soon as possible.

So, I think that Congress needs to push OPM and the Chief Human Capital Officers Council (CHCOC) to change that approach

and make them much more proactive and supportive of the clients in their Agencies. I have no problem at the GAO in hiring good people. If we have the money and the authority, we can bring them in. But, I see other Departments and Agencies struggling with that process. OPM is not providing enough leadership in this area. I think you should look for more leadership out of OPM and the Chief Human Capital Officers Council, and put more pressure on them to be more aggressive and helpful.

Senator HEITKAMP. I know that you know that this is a major focus of our Subcommittee this year. And so, I just want to close by thanking you and all of you for your service—but especially you and your team, Gene. You guys—if only we would listen to you, I think we would be better at what we do. So, thank you so much for the great work that GAO does, and that you do, personally.

Mr. DODARO. Thank you.

Chairman JOHNSON. Senator Carper.

#### **OPENING STATEMENT OF SENATOR CARPER**

Senator CARPER. Thank you, Mr. Chairman. Good morning, everybody. Good morning again. I apologize for being in and out. We have a hearing in the Senate Environment and Public Works (EPW) Committee that I serve on as well, so I have been trying to do justice to both. We are working on cloning here in Congress to take care of more than one assignment at the same time. [Laughter.]

I do not think they have done it yet, but I understand the Administration is going to put out a tax proposal—tax reform proposal today. And, we will wait to see what the details look like. But, I understand that it has some steep rate reductions, maybe, in corporate taxes and some other taxes. And, the Congressional Budget Office would suggest that it is going to make the deficit a lot bigger by, maybe, trillions of dollars. And, the Administration says that the way to offset that would be growth. And, I hope they are right, because it is a lot of increase in the deficit. But, what it does—it makes more important what you are talking to us about—that we find other ways to do our work more cost-effectively going forward.

I never understood why we are so intent on reducing the amount of resources we provide to the IRS to do their job. We provide constituent service. All of us have constituent services operations in our offices back in our home States. We have three counties in Delaware. We have offices in all three counties. And, we get a lot of inquiries that are tax-related and that pertain to the IRS.

The IRS used to provide reasonably good responses. Over time, it has degraded. And, one of the reasons why is because, when we make changes in the Tax Code, we usually make them late in the calendar year—and they become effective beginning in the following calendar year. We do not make the Tax Code simpler and easy to understand and comply with. And then, to add insult to injury, we reduce the amount of resources that the IRS has to—either through technology or through people—help explain and work through all of this. It is mind-boggling to me.

I am told that, for every dollar that we might increase for the resources of the IRS, we actually increase revenues by a substan-

tial amount. Mr. Dodaro, do you know anything about that? Have you heard anything along those lines?

Mr. DODARO. Yes. They do have a good return on the dollar investment for every dollar that they are given. What we have noted, though, is that the IRS cannot, generally, tell you which specific enforcement activities would lead to a greater marginal return on the investment. And so, we think that they ought to collect and use better information to determine what is the most effective way to get the additional “bang for the buck” and have better ROI information, in order to do that. So, with that, they could use whatever resources Congress gives them in a better way.

Senator CARPER. Good. Thank you. Commissioner Koskinen was before the Senate Finance Committee not too long ago. And, I asked him about this, and he said, “We believe, for every extra dollar that we would be provided in resources, we could pay back \$4.” I have heard other estimates that are even higher than that, but it sounds like real money to me.

This might be a question for Russell George. Mr. George, it is nice to see you. One of the other things that the IRS has asked for is something called “streamlined critical pay authority,” which is something that you know a little bit about. Would you just take a minute to explain what it is and why you think it might be important, and the right thing for us to give them?

Mr. GEORGE. Yes. Because of the technical nature of many of the responsibilities that they have, they have to compete with private sector entities in order to gain the expertise needed to fill those positions. And, because of the disparity between what the private sector pays and what the public sector pays, that authority allows, not a huge pay differential, but enough so that you can attract—and they have attracted—key and very effective officials—government workers. And, that authority expired recently. And, they lost every single one of the people who were hired under that authority. So, we highly support—and, actually, TIGTA recommended that that authority be provided once again to the IRS.

Senator CARPER. Are you familiar also with the issue of folks who are preparing taxes and getting paid for it—and they are not certified public accountants (CPAs)—they are not necessarily accountants, but they are people who routinely prepare millions—maybe tens of millions of tax returns—and the work that they do is not always very accurate?

Mr. GEORGE. Oh, most definitely. Earlier, Gene spoke about this, but we, too, at TIGTA have, in the past, conducted tests where we would send in people who were acting the role of people who needed tax returns completed. And, at the outset of that endeavor, the response rates were terrible. I mean, it was less than 50 percent accuracy, in terms of tax—

Senator CARPER. What would you suggest that we do about that—Congress?

Mr. GEORGE. Well, because of limited resources, as was pointed out, the IRS is relying on Volunteer Income Tax Assistance (VITA) centers, more so. They still have their own tax assistance centers, but they are not fully staffed because of resource limitations. The IRS directs people to their website, which is helpful if you are computer literate. And, unfortunately, many people who are senior citi-

zens or who are not financially able to gain access to computers are not able to take advantage of that. But, there are ways in which to address this.

Senator CARPER. Thank you. Mr. Dodaro.

Mr. DODARO. We have an outstanding recommendation that Congress give the IRS the authority to require some certification of these tax preparers—not an onerous thing, but some minimal educational certification requirements, because there are so many tax returns prepared by these preparers. A couple of other things Congress could do to help the IRS—

Senator CARPER. Good. Please.

Mr. DODARO. One is to lower the threshold for the requirement to electronically file form W-2, for example. Right now, if you file 250 or more information returns annually, then you have to file electronically. If you lowered that to 5 to 10 returns, then you would be OK. As of February 2017, The Social Security Administration (SSA) had received about 17 million paper returns. And so, they are still somewhat drowning in paper, even though more returns come in electronically. So, that would be a big help.

Senator CARPER. OK.

Mr. DODARO. You would need fewer people, because the paper returns have to be handled, they have to be coded, and they have to be converted.

Also, it would be helpful to expand the mandate for partnerships and corporations, including S Corporations, to file tax returns electronically as well. These are very complicated entities, and having more information in an electronic format would be helpful. So, those are the things we would recommend. And, we talked earlier about giving IRS broader authority, so they could correct errors with proper safeguards to have taxpayers appeal if they think they have not been treated fairly. Expanded authority—as Russell pointed out before and as Senator Johnson mentioned—would also allow correction of tax returns without a costly audit. It just makes sense to give them that authority. And, between GAO and the IG, we could check to make sure they are using those authorities properly and not disadvantaging taxpayers.

Senator CARPER. Mr. Chairman, the words of my father are ringing in my ears: “Just use some common sense.” And, I think we have heard about six good ideas here, today. And, I am interested in pursuing them, and I hope my colleagues will want to join me. Thank you.

Chairman JOHNSON. I think we are.

I know we are going to have a vote called here at 11:30, so we have a few more minutes left. But, I do want to go back to Chancellor Blank really quickly, because this is a duplication hearing. In your testimony—remind me again—how many different Agencies does your university report to in some way, shape, or form?

Ms. BLANK. Forty-three.

Chairman JOHNSON. Forty-three. Again, you are not opposed to regulation, but what you would like is some cooperation and coordination—uniform, common types of standards, correct?

Ms. BLANK. Absolutely.

Chairman JOHNSON. Is part of the problem not that you are reporting very similar things, but that each Agency has their own



process for developing their little questionnaire? How much do you think you could reduce it? Just really talk—if you can give one example of what we are talking about here.

Ms. BLANK. It is hard to come up with dollar figures on something like this, and I think the real issue is the time of researchers actually going into teaching and research, as opposed to paperwork. So, let me give an example of a particular project where there was a great deal of interest in trying to use a variety of samples that another research project had collected. These are medical tissue samples. And, it took over a year for the researchers to work their way through a variety of approval processes. They finally simply gave up on the project entirely. It was very closely related to some of the issues around Alzheimer's—had a real potential for expanding our research in that area. And, they essentially wasted a year of their time trying to get approvals on something that they simply could not get approvals for, because enough different Agencies and approval processes had to be gone through. All of them required different things. So, they just said, "This is not worth our time." They gave up on it.

Chairman JOHNSON. Kind of off of the top of your head, can you just name some of the Agencies? Not to point a finger at them, but, I mean, just going through—the U.S. Department of Agriculture (USDA), HHS, the Food and Drug Administration (FDA)—

Ms. BLANK. It is all of the major Agencies—the National Science Foundation (NSF), the National Institutes of Health (NIH), USDA, and the U.S. Department of Energy (DOE). Those are some of the big funders.

I might also say that the IG's office—while it does very good work—is also often a problem here. And, they often disagree with the Agencies on what certain standards should be. And so, they come in and audit us and hold us accountable for doing things the way the Agencies told us to do them and say that that is wrong, and then ding us in various ways for that. Without better coordination between the IG and the Agency, it means that there are two groups in each Agency coming at us—often with different standards and different beliefs. And, that type of coordination just has to start occurring.

Chairman JOHNSON. In your testimony, you use the exact same language that I talk about—layer upon layer upon layer. I mean procurement policy.

Ms. BLANK. Yes.

Chairman JOHNSON. We have layer upon layer upon layer of different controls designed to prevent us from wasting a dollar. And, we probably spend billions trying to comply with all of the layers of regulation. So, we have to, in some way, shape, or form, figure out how to cut through that—provide some uniform standards on similar types of approvals, where you are not having to do—some of these things conflict, right? You have one over here. If you comply with this one, you are probably out of compliance with something over on the other—

Ms. BLANK. That is part of the problem, yes.

Chairman JOHNSON. OK. Senator McCaskill, do you have anything?

Senator McCASKILL. Yes. First, on the Do Not Pay (DNP) Working System, is it true that we are going to have to do something, in order to let the IRS get the full Death Master File (DMF)?

Mr. DODARO. Yes. The Social Security Administration believes there needs to be an amendment to the Social Security Act for Treasury to get the full DMF. And, this includes about 10 percent more records. We think this is important and encourage Congress to do—

Senator McCASKILL. That should definitely go in our legislation. The notion that we cannot figure out who has died before we pay them—I mean, we have talked about this in this Committee many times.

Mr. DODARO. Right.

Senator McCASKILL. We pay and then chase, and that never has a good ending. We have to figure out how not to pay up front, instead of paying and chasing. It is just something basic, like knowing who is dead. It seems to me—

Mr. DODARO. Right.

Senator McCASKILL. If the Federal Government cannot figure that out, then there is no hope. [Laughter.]

There is no hope.

I wanted to briefly talk to you, Dr. Blank, because I care very much about the Clery Act—and I am painfully aware of how laborious that particular requirement is. And, I would not mind it being laborious if we were getting data that allowed us to actually get a handle on an apples-to-apples comparison—campus-to-campus—apples-to-apples comparison between communities and campuses. But, because the Clery Act does not mirror the Uniform Crime Reporting (UCR) at the Federal Bureau of Investigation (FBI), we—in fact, your report talked about, Gene, we do not even—there are like 16 different ways sexual assault is defined against 4 different Agencies that are collecting data. We have no hope of understanding this problem if the data that we are collecting is not done in a way that it can support good public policy—and there is no question that this is a problem here.

Would your police department at the University of Wisconsin be willing, if we could do it, to do the same standards for Clery that they have for UCR?

Ms. BLANK. We would be delighted to have that type of coordination. I might say that it is a further problem on our campus that the University of Wisconsin system requires us to report in a different format and in a different way as well. So, we have three different reporting standards on—

Senator McCASKILL. You have Clery, you have UCR, and you have State.

Ms. BLANK. Yes.

Senator McCASKILL. Yes. Well, it would be good if we could figure out a way just to make everybody do UCR.

Ms. BLANK. I agree.

Senator McCASKILL. And then, you are doing the same definitions for each crime. You can compare community to campus—all of those things. And, I made the mistake in a public forum of saying that I thought Clery—I was not, frankly, as articulate as you were, talking about how important Clery is and that you want that

data. I just said that Clery is messed up—and, of course, everybody came down on my head like, “oh, my gosh, you cannot quit making campuses report this data,” which, of course, is not what I intended. I want the data to be good, and I want police departments to spend most of their time catching people who are doing bad things to people, rather than trying to figure out three different reporting standards.

Ms. BLANK. I agree completely.

Senator McCASKILL. All right. Maybe we can put that in also.

I want to also say that I think if we cannot get NIH and—especially, if we could just get NIH and the NSF to agree on one standard for reporting and have it be interchangeable—I mean, that would do a lot for all of the medical research facilities in this country.

Ms. BLANK. Both the issue of putting in reports—reporting on effort and on conflicts of interest and on steady progress—as well as what happens after something is completed—where it gets filed. As you may know, there is a recent requirement that is going to be going into effect, asking us to file the data for all research that is federally funded. Every Agency is doing this differently, right? And, you get many projects that are funded by multiple Agencies. That creates just an enormous—

Senator McCASKILL. And, by the way, the data is not very useful then.

Ms. BLANK. Absolutely not. You cannot find it.

Senator McCASKILL. Because somebody comes along, and they have to go to four or five different databases. And, invariably, what happens is, we end up paying a contractor to make the databases talk to each other, when it would be much simpler if we would just require they do one set of data across Agencies.

Chairman JOHNSON. We add another layer.

Senator McCASKILL. We add another layer.

And, finally, I want to give you a chance, Mr. George, to talk about the problem at the IRS, because we are trying to starve them and make sure that they do not have adequate resources. I mean, right now, a taxpayer that has a serious problem that they need addressed—they are the customer of the IRS—they are sitting on the phone to talk to a real person—they are sitting on the phone for 10 hours—the customer. I mean, this is all under the idea of “let us make sure the IRS—let us cut it and cut it and cut it, because we all hate the IRS.” OK. We all hate the IRS. Let us have enough people there, so they can do their job and serve the taxpayers that deserve to have their questions answered—and, particularly, deserve to catch the people that are trying to get tax credits that they do not deserve.

Mr. GEORGE. Senator, the IRS is a revenue-generating arm of the Federal Government. It needs the resources necessary to help people comply with their tax obligations. There are studies that show that, the easier you make it to comply with your taxes, the more likely people are to do so.

But, Senator, if I may just take one quick minute, because I—in response to a statement by the Chairman and by Senator Peters about multiple refunds going to tens of thousands of addresses—in response to our identifying this, the IRS has instituted some

changes. And, they just reported to us that, in April of this year, they were able to stop over 92,000 of these ill-gotten gains—almost half a billion dollars. So, some progress is being made there.

Chairman JOHNSON. OK. I appreciate that.

Senator McCASKILL. That is good.

Mr. GEORGE. I just wanted to give them credit.

Chairman JOHNSON. And, by the way, I have been making this point for quite some time. The real solution here is simplifying the Tax Code. We can talk about tax reform. I would much rather be talking about tax simplification—tax rationalization. And then, I think, you actually could have an IRS that does its job—responds to the customers—the American taxpayer—and can actually do it with less money. But, it is about tax simplification. That is really the solution. So, hopefully, we can work together on that in a bipartisan fashion.

I want to thank all of you. Again, this hearing, I think, has pointed us in a direction. You will see that this Committee has a tradition of working in a bipartisan fashion. You hear it from a number of Senators right here. We are going to hop on this, work with the Agencies, and work with all of you, quite honestly, to try and address the problems that you have so ably highlighted here. So, this is very valuable. This will result, I think, in very positive, bipartisan action. So, thank you very much.

With that, the hearing record will remain open for 15 days, until May 11th at 5 p.m., for the submission of statements and questions for the record.

This hearing is adjourned.

[Whereupon, at 11:39 a.m., the Committee was adjourned.]

## A P P E N D I X

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**Opening Statement for Chairman Ron Johnson**  
***“Duplication, Waste, and Fraud in Federal Programs”***  
**Wednesday, April 26, 2017**

*As prepared for delivery:*

Good morning and welcome. I want to start by thanking Gene Dodaro and the staff at the Government Accountability Office who work tirelessly to oversee our government and hold it accountable on behalf of the American people.

Every year this Committee holds a hearing to highlight duplicative, wasteful spending by the federal government. This important annual report began as a simple amendment filed by then-Senator Coburn during the 2010 debt ceiling fight, requiring GAO to report annually on government duplication and waste.

Seven years later—with only half of GAO's recommendations even implemented—GAO estimates that this report has resulted in actual savings of \$75 billion. One simple idea has saved American taxpayers tens of billions of dollars.

However, there are still hundreds of recommendations that have not been implemented, and far too many areas of duplication remaining in the federal government that should be addressed. I am pleased that the Trump administration is taking this problem seriously. The Executive Order signed by President Trump and the memorandum by Office of Management and Budget Director Mick Mulvaney that followed will result in a plan to reorganize and streamline the federal government and help it better serve the American people. This is long overdue.

I sincerely hope we can come together, Democrats and Republicans, and use the bipartisan nature of this Committee to assist the administration in finding areas of agreement to root out waste, fraud, and duplication in the federal government.

Today we will focus on three key issues from this year's report: Inspector General J. Russell George is here to discuss the billions wasted through our flawed system of refundable tax credits; UW Madison Chancellor Rebecca Blank will highlight the regulatory burden we place on research universities that slows down our race to cure diseases and wastes money; and Mr. Keith Repko will explain the VA's challenges in building new facilities despite spending more than \$14 billion on construction over the last ten years.

Thank you again to the Government Accountability Office and all of our witnesses today.



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United States Government Accountability Office

Testimony  
Before the Committee on Homeland  
Security and Governmental Affairs, U.S.  
Senate

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For Release on Delivery  
Expected at 10:00 a.m. ET  
Wednesday, April 26, 2017

## GOVERNMENT EFFICIENCY AND EFFECTIVENESS

### Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits

Statement of Gene L. Dodaro  
Comptroller General of the United States

## GAO Highlights

Highlights of GAO-17-562T, a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

### Why GAO Did This Study

The federal government faces a long-term, unsustainable fiscal path based on an imbalance between federal revenues and spending. While addressing this structural imbalance will require fiscal policy changes, in the near term opportunities exist in a number of areas to improve this situation, including where federal programs or activities are fragmented, overlapping, or duplicative.

To call attention to these opportunities, Congress included a provision in statute for GAO to identify and report on federal programs, agencies, offices, and initiatives—either within departments or government-wide—that have duplicative goals or activities. GAO also identifies areas that are fragmented or overlapping and additional opportunities to achieve cost savings or enhance revenue collection. GAO's 2017 annual report is its seventh in this series (GAO-17-491SP).

This statement discusses:

- new issues GAO identifies in its 2017 report;
- the progress made in addressing actions GAO identified in its 2011 to 2016 reports; and
- examples of open actions directed to Congress or executive branch agencies.

To identify what actions exist to address these issues, GAO reviewed and updated prior work, including recommendations for executive action and matters for congressional consideration.

View GAO-17-562T. For more information, contact J. Christopher Mihm at (202) 512-6909 or [mihmj@gao.gov](mailto:mihmj@gao.gov) or Jessica Lucas-Judy at (202) 512-9110 or [lucasjudy@gao.gov](mailto:lucasjudy@gao.gov).

April 2017

## GOVERNMENT EFFICIENCY AND EFFECTIVENESS

### Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits

#### What GAO Found

GAO's 2017 annual report identifies 79 new actions that Congress and executive branch agencies can take to improve the efficiency and effectiveness of government in 29 new areas. Of these, GAO identified 15 areas in which there is evidence of fragmentation, overlap, or duplication. For example, GAO found that the Army and Air Force need to improve the management of their virtual training programs to avoid fragmentation and better acquire and integrate virtual devices into training to potentially save tens of millions of dollars. GAO also identified 14 areas to reduce the cost of government operations or enhance revenues. For example, GAO found that the Department of Energy could potentially save tens of billions of dollars by improving its analysis of options for storing defense and commercial high-level nuclear waste and fuel.

Congress and executive branch agencies have made progress in addressing the 645 actions that GAO identified from 2011 to 2016. Congressional and executive branch efforts to address these actions over the past 6 years have resulted in roughly \$136 billion in financial benefits, of which \$75 billion has accrued and at least an additional \$61 billion in estimated benefits is projected to accrue in future years.

#### Status of 2011–2016 Actions as of March, 2017

| Status              | 115 <sup>th</sup> Congress<br>number of actions<br>(percentage) | Executive branch<br>number of actions<br>(percentage) | Total<br>number of actions<br>(percentage) |
|---------------------|---|---|--|
| Addressed           | 36<br>(38%)   | 293<br>(53%)  | 329<br>(51%)                               |
| Partially addressed | 9<br>(9%)   | 192<br>(35%)  | 201<br>(31%)                               |
| Not addressed       | 50<br>(53%)   | 65<br>(12%)   | 115<br>(18%)                               |
| <b>Total</b>        | <b>95<br/>(100%)</b>  | <b>550<br/>(100%)</b>                                 | <b>645<br/>(100%)</b>                      |

Source: GAO | GAO-17-562T

Further steps are needed to fully address the remaining actions GAO identified. GAO estimates that tens of billions of additional dollars would be saved should Congress and executive branch agencies fully address the 395 actions that remain open, including the 79 new actions GAO identified in 2017. While these open actions span the government, a substantial number of them are directed to seven agencies: the Departments of Defense, Health and Human Services, Homeland Security, Veterans Affairs, the Internal Revenue Service, Office of Management and Budget, and the Social Security Administration. For example, the Department of Health and Human Services could potentially save over a billion dollars annually by better aligning its payments to hospitals for the uncompensated care they provide to uninsured and low-income patients.

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Chairman Johnson, Ranking Member McCaskill, and Members of the Committee:

The federal government faces a long-term, unsustainable fiscal path based on an imbalance between federal revenues and spending.<sup>1</sup> While addressing this structural imbalance will require fiscal policy changes, in the near term opportunities exist to take action in a number of areas to improve this situation, including where federal programs or activities are fragmented, overlapping, or duplicative. To call attention to these opportunities, Congress included a provision in statute for GAO to identify and report on federal programs, agencies, offices, and initiatives—either within departments or government-wide—that have duplicative goals or activities.<sup>2</sup> This effort, supported by the Senate Committee on Homeland Security and Governmental Affairs and others, has brought much-needed attention to these areas.

In our 2011 to 2016 reports, we presented 645 actions in 249 areas for Congress or executive branch agencies to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance revenue from 2011 to 2016.<sup>3</sup> Congress and executive branch agencies have addressed 329 (51 percent) of those actions resulting in about \$136 billion in financial benefits.<sup>4</sup> We estimate tens of billions more dollars could be saved by fully implementing our open actions.<sup>5</sup>

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<sup>1</sup>GAO, *The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future*, GAO-17-237SP (Washington, D.C.: Jan. 17, 2017), and *Financial Audit: Fiscal Years 2016 and 2015 Consolidated Financial Statements of the U.S. Government*, GAO-17-263R (Washington, D.C.: Jan. 12, 2017). GAO's analysis of the federal fiscal outlook can be found at [http://www.gao.gov/fiscal\\_outlook/federal\\_fiscal\\_outlook/overview](http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview).

<sup>2</sup>Pub. L. No. 111-139, § 21, 124 Stat. 8, 29 (2010), *codified at* 31 U.S.C. § 712 note.

<sup>3</sup>See GAO's Duplication and Cost Savings webpage for links to the 2011 to 2016 annual reports: <http://www.gao.gov/duplication/overview>.

<sup>4</sup>In calculating these totals, we relied on individual estimates from a variety of sources, which considered different time periods and utilized different data sources, assumptions, and methodologies. These totals represent a rough estimate of financial benefits and have been rounded down to the nearest \$1 billion.

<sup>5</sup>In calculating this estimate, we relied on individual estimates from a variety of sources, which considered different time periods, and utilized different data sources, assumptions, and methodologies. These individual estimates are subject to increased uncertainty, depending on whether, how, and when they are addressed. This amount represents a rough estimate of financial benefits.



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Our 2017 annual report, which is being released today, presents 79 new actions across 29 new areas for Congress or executive branch agencies to reduce, eliminate, or better manage fragmentation, overlap, and duplication and achieve other financial benefits.<sup>6</sup> My testimony today describes (1) new issues identified in our 2017 annual report; (2) the progress made in addressing actions identified in our past reports; and (3) examples of open actions directed to Congress or executive branch agencies. My comments are based upon our 2017 annual report, as well as our update on the progress made in implementing actions that we have suggested in our previous annual reports. These efforts are based upon work we previously conducted in accordance with generally accepted government auditing standards. More details on our scope and methodology can be found in the full report.

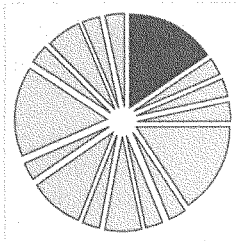
Figure 1 outlines the definitions we have used since 2011 for fragmentation, overlap, and duplication for this work.

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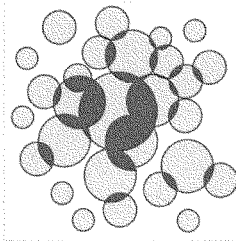
<sup>6</sup>Ten of the new actions were added to 6 existing areas. GAO, *2017 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-17-491SP (Washington, D.C.: Apr. 26, 2017).

Figure 1: Definitions of Fragmentation, Overlap, and Duplication

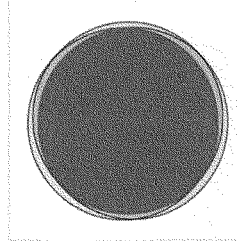
**Fragmentation** refers to those circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities exist to improve service delivery.



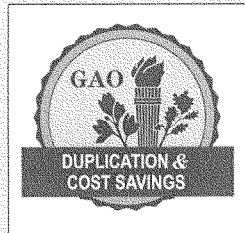
**Overlap** occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.



**Duplication** occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.



Source: GAO | GAO-17-562T



**GAO's online Action Tracker**

GAO's online *Action Tracker* allows Congress, executive branch agencies, and the public to track the progress the government is making in addressing the issues we have identified. To improve search functions, we added a downloadable spreadsheet in November 2016 of all actions listed in the *Action Tracker*. With the release of this report, we are concurrently releasing the latest updates to these resources.

GAO's online *Action Tracker* and downloadable spreadsheet.

Source: GAO. | GAO-17-562T

Our annual report, the seventh in the series, identifies new areas where a broad range of federal agencies may be able to achieve greater efficiency or effectiveness. For each area, we suggest actions that Congress or executive branch agencies could take to reduce, eliminate, or better manage fragmentation, overlap, or duplication, or achieve other financial benefits. In addition to identifying new areas, we have continued to monitor the progress Congress and executive branch agencies have made in addressing actions we previously identified (see sidebar).

## New Opportunities Exist to Improve Efficiency and Effectiveness across the Federal Government

Of the 79 new actions we identified in our 2017 annual report, 26 are directed at 15 areas in which we found evidence of fragmentation, overlap, or duplication in government missions and functions. As described in table 1, these 15 areas span a wide range of federal functions or missions.

Table 1: 2017 Fragmentation, Overlap, and Duplication Areas

| Mission                           | Fragmentation, overlap, and duplication area identified   |
|-----------------------------------|---|
| Agriculture                       | 1. <b>Federal Actions to Protect Pollinators and Improve Agricultural Production:</b> Through better coordination with other federal agencies, the U.S. Department of Agriculture could reduce the potential for fragmentation among efforts to monitor the population and health status of wild, native bees that provide valuable pollination services to agriculture and the environment.  |
| Defense                           | 2. <b>Army and Air Force Virtual Training:</b> The Army and Air Force need to improve the management and oversight of their virtual training programs to avoid fragmentation and more efficiently and effectively acquire and integrate virtual devices into operational training and potentially save <b>tens of millions of dollars</b> .<br>3. <b>Construction for Military Contingency Operations:</b> By improving oversight of contingency construction projects, the Department of Defense (DOD) could potentially reduce duplication and save <b>millions of dollars</b> .<br>4. <b>Defense Weather Satellites:</b> DOD could reduce the risk of gaps in weather satellite capabilities by establishing formal mechanisms for coordination and collaboration with the National Oceanic and Atmospheric Administration.<br>5. <b>Department of Defense Advertising:</b> DOD should improve coordination and information sharing across its fragmented advertising programs for more efficient and more effective use of resources.   |
| General government                | 6. <b>Federal Critical Raw Materials Activities:</b> To better manage fragmentation of agencies' critical raw materials activities, the Office of Science and Technology Policy should enhance interagency collaboration and take full advantage of agencies' expertise and resources.<br>7. <b>Federal Grant Awards:</b> The National Park Service, Fish and Wildlife Service, Food and Nutrition Service, and the Centers for Disease Control and Prevention have not established guidance and a formal process to ensure their grant-management staff review applications for potential duplication and overlap among grants in their agencies before awarding competitive grants and cooperative agreements.<br>8. <b>Federal Hiring:</b> The Office of Personnel Management and agencies should identify opportunities to refine federal hiring authorities, expand access to specific authorities found to be highly efficient and effective, and eliminate those found to be less effective.<br>9. <b>Grants for Transit Resilience:</b> To mitigate the negative effects of fragmentation across federal funding streams, the Department of Transportation should examine the \$3.6 billion in funding the Federal Transit Administration awarded toward transit resilience projects for potential duplication with other resilience efforts.<br>10. <b>Recovery Operations Center Closure:</b> A proposal for centralized analytics and investigative support for the oversight community would help Congress decide whether to authorize such an entity to mitigate the risk of potential duplication and fragmentation and provide valuable tools for targeting resources to help reduce improper payments.<br>11. <b>Use of the Do Not Pay Working System:</b> <sup>2</sup> The Office of Management and Budget (OMB) needs to develop a strategy and additional guidance on the use of the Do Not Pay working system, and Congress should consider amending the Social Security Act to explicitly allow the Social Security Administration to share its full death file through the system to reduce improper payments and mitigate the risks associated with potential duplication. |
| Homeland security/law enforcement | 12. <b>Missing and Unidentified Persons Data:</b> The Federal Bureau of Investigation and National Institute of Justice could reduce overlap and fragmentation of data on missing and unidentified persons by evaluating and implementing options to improve data sharing, thereby helping to solve these cases more efficiently.   |

| Mission                     | Fragmentation, overlap, and duplication area identified  |
|-----------------------------|--|
|                             | 13. <b>Sexual Violence Data:</b> OMB should convene an interagency forum to better manage fragmentation of efforts to collect sexual violence data that can improve the overall understanding of the scope of this problem in the United States.   |
| International affairs       | 14. <b>Foreign-Assistance Data Quality:</b> As a key step to address the potential overlap in the collection and reporting of foreign-assistance information, the Department of State, in consultation with U.S. Agency for International Development and OMB, needs to improve data quality to ensure consistency in published information. |
| Science and the environment | 15. <b>Administrative Requirements on Federal Research:</b> To reduce universities' workload and compliance costs, the multiple agencies that award federal research grants should better coordinate and manage fragmentation and address variation in grants' administrative requirements.  |

Source: GAO | GAO-17-562T

\*The Do Not Pay Working System is a centralized data-matching service that allows agencies to review multiple databases to help verify a payee's eligibility to receive the funds before making a payment.

In addition to areas of fragmentation, overlap, and duplication, our 2017 report presents 43 opportunities for Congress or executive branch agencies to take action to reduce the cost of government operations or enhance revenue collections for the U.S. Treasury across 14 areas of government (see table 2).

Table 2: 2017 Areas for Cost Savings and Revenue Enhancement

| Mission            | Cost savings and revenue enhancement area identified   |
|--------------------|--|
| Defense            | 16. <b>Department of Defense (DOD) Commissaries:</b> By managing its commissaries more efficiently, DOD could position itself to better achieve its cost savings target of \$2 billion.  |
|                    | 17. <b>DOD Special and Incentive Pays:</b> DOD needs to incorporate key principles of effective human capital management in its special and incentive pay programs, which could lead to program improvements that could save <b>tens of millions of dollars annually</b> .                           |
|                    | 18. <b>Navy Shipbuilding:</b> The Navy could achieve cost savings from improved use of warranties and guarantees in shipbuilding.  |
| Energy             | 19. <b>Storage of Defense and Commercial Nuclear Waste:</b> The Department of Energy could potentially save <b>tens of billions of dollars</b> by improving its analysis of options for permanently storing defense high-level nuclear waste and commercial spent nuclear fuel.                      |
| General government | 20. <b>Department of Veterans Affairs (VA) Medical Facility Construction:</b> VA could better avoid cost increases and schedule delays on its medical facility construction projects by improving management of facility construction.   |
|                    | 21. <b>Government Purchase Cards:</b> An increased focus on analyzing agency-wide purchase card use would provide federal agencies with opportunities to leverage the government's buying power and potentially obtain substantial cost savings on the billions spent annually using purchase cards. |
|                    | 22. <b>Inland Waterways Fuel Tax:</b> The Internal Revenue Service could enhance revenue and better gauge whether vessel operators are complying with the inland waterways fuel tax by obtaining access to proprietary data from the U.S. Army Corps of Engineers.                                   |

| Mission         | Cost savings and revenue enhancement area identified   |
|-----------------|--|
|                 | 23. <b>Land Mobile Radio Procurement:</b> The Office of Management and Budget could improve agencies' communication abilities and reduce the hundreds of millions of dollars spent annually on land mobile radio equipment by including this technology in its initiative to manage spending across government for commonly purchased goods.   |
|                 | 24. <b>Refundable Tax Credits:</b> The Internal Revenue Service could potentially realize <b>hundreds of millions of dollars</b> in cost savings by improving the administration of three large refundable tax credits.  |
| Health          | 25. <b>Federal Payments for Hospital Uncompensated Care:</b> By better aligning federal payments for hospitals' uncompensated care—services provided to uninsured and low-income patients for which hospitals are not fully compensated—with hospitals' costs, the Centers for Medicare & Medicaid Services could potentially save <b>over a billion dollars annually</b> .  |
|                 | 26. <b>Medicaid Personal Care Services:</b> The Centers for Medicare & Medicaid Services needs timely, complete, and consistent data on Medicaid personal care services so it can effectively monitor these services, which could lead to savings of <b>tens of millions of dollars annually</b> .   |
|                 | 27. <b>Medicare Advantage Improper Payments:</b> The Centers for Medicare & Medicaid Services could recover <b>hundreds of millions of dollars</b> in improper payments by improving its processes to audit payments made to Medicare Advantage organizations.   |
|                 | 28. <b>Patient Protection and Affordable Care Act Enrollment:</b> By strengthening enrollment controls and better managing fraud risk for health-insurance coverage provided under the Patient Protection and Affordable Care Act, the Centers for Medicare & Medicaid Services could realize cost savings associated with subsidies and related spending, which were estimated to cost \$56 billion for fiscal year 2017. |
| Income security | 29. <b>Disability Insurance:</b> The Social Security Administration could recover <b>tens of millions of dollars annually</b> in Disability Insurance (DI) overpayments by increasing withholding rates of individuals' ongoing monthly DI benefit payments.   |

Source: GAO. | GAO-17-562T

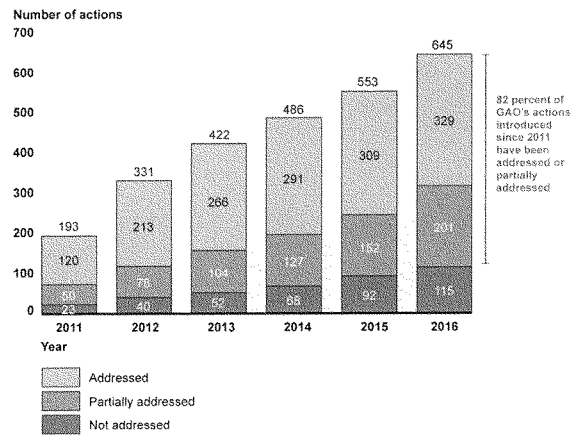
In addition to the new areas presented in this year's annual report, we identified 10 new actions that relate to 6 existing areas presented in our 2011 to 2016 annual reports.<sup>7</sup>

## Congress and Executive Branch Agencies Continue to Address Actions that Span the Federal Government

As shown in figure 2, Congress and executive branch agencies have made progress in addressing or partially addressing many actions we identified from 2011 to 2016. As of March 2017, 82 percent of the 645 total actions we had identified since 2011 have been addressed or partially addressed. See our online *Action Tracker* for the status of all actions.

<sup>7</sup>See appendix V of GAO-17-491SP for more information.

Figure 2: Progress in Addressing 2011 to 2016 Actions as of March 2017



Source: GAO. | GAO-17-562T

#### Benefits Related to Actions taken by Congress and Executive Branch Agencies

Congress and executive branch agencies have addressed 329 (51 percent) of the 645 actions we identified from 2011 to 2016 (see table 3).<sup>8</sup> We found that these efforts have resulted in roughly \$136 billion in financial benefits—\$75 billion from 2010 through 2016, with at least an additional \$61 billion in estimated benefits projected to be accrued in future years.<sup>9</sup>

<sup>8</sup>Of the 329 actions that have been addressed, 83 of them were closed (addressed or consolidated) since our last annual report in April 2016. Actions were assessed as of March 2017, when we completed the assessment of the status of previously identified actions.

<sup>9</sup>In calculating these totals, we relied on individual estimates from a variety of sources, which considered different periods and utilized different data sources, assumptions, and methodologies. These totals represent a rough estimate of financial benefits and have been rounded down to the nearest \$1 billion.

Table 3: Status of 2011 to 2016 Actions Directed to Congress and the Executive Branch, as of March, 2017

| Status              | 114th Congress <sup>a</sup><br>(number of actions<br>[percentage]) | 115th Congress<br>(number of actions<br>[percentage]) | Executive branch <sup>b</sup><br>(number of actions<br>[percentage]) | Total<br>(number of actions<br>[percentage]) |
|---------------------|--|---|--|--|
| Addressed           | 36<br>(38%)  | 36<br>(38%)   | 293<br>(53%)   | 329<br>(51%)                                 |
| Partially addressed | 12<br>(13%)  | 9<br>(9%)   | 192<br>(35%)   | 201<br>(31%)                                 |
| Not addressed       | 47<br>(49%)  | 50<br>(53%)   | 65<br>(12%)  | 115<br>(18%)                                 |
| <b>Total</b>        | <b>95<br/>(100%)</b>   | <b>95<br/>(100%)</b>                                  | <b>550<br/>(100%)</b>  | <b>645<br/>(100%)</b>                        |

Source: GAO. | GAO-17-562T

Note: "Addressed" includes 30 actions categorized as "consolidated or other" and three actions "closed-not addressed." Actions categorized as "consolidated or other" and "closed-not addressed" are no longer assessed. In most cases, these actions were replaced or subsumed by new actions based on additional audit work or other relevant information. For example, actions categorized as "consolidated or other" may have been consolidated into other actions that we track based on subsequent audit work or significant changes in agency circumstances, or they may have been redirected from a congressional to an executive branch action, or vice versa. Actions may be "closed-not addressed" if the action is no longer relevant or applicable. Six actions were categorized as "consolidated or other" and one as "closed-not addressed" this year.

<sup>a</sup>In assessing actions suggested for Congress, we applied the following criteria: "addressed" means relevant legislation has been enacted and addresses all aspects of the action needed; "partially addressed" means a relevant bill has passed a committee, the House of Representatives, or the Senate during the current congressional session, or relevant legislation has been enacted but only addressed part of the action needed; and "not addressed" means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. At the beginning of a new congressional session, we reapply the criteria. As a result, the status of an action may move from "partially addressed" to "not addressed" if relevant legislation is not reintroduced from the prior congressional session.

<sup>b</sup>In assessing actions suggested for the executive branch, we applied the following criteria: "addressed" means implementation of the action needed has been completed; "partially addressed" means the action needed is in development, or started but not yet completed; and "not addressed" means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

The progress Congress and executive branch agencies have made in addressing our open actions has resulted in significant financial benefits. Table 4 highlights examples of these results.



Table 4: Examples of Addressed or Partially Addressed Actions with Associated Cost Savings and Revenue Enhancements

| Area name (annual report year, area number) <sup>a</sup> | Actions taken   | Financial benefit  |
|--|---|--|
| Farm Program Payments (2011, Area 35)                    | Congress passed the Agricultural Act of 2014, which eliminated direct payments to farmers.  | Savings of approximately <b>\$44 billion</b> from fiscal years 2015 through 2023, of which \$10 billion has accrued and \$34 billion is expected to accrue in fiscal year 2017 or later, according to the Congressional Budget Office (CBO). |
| Domestic Ethanol Production (2011, Area 13)              | Congress allowed the Volumetric Ethanol Excise Tax Credit to expire at the end of 2011, which eliminated duplicative federal efforts directed at increasing domestic ethanol production.  | Reduced revenue losses by <b>\$29 billion</b> in fiscal year 2012 to fiscal year 2016, according to GAO analysis.  |
| Tax Policies and Enforcement (2015, Area 17)             | Congress amended the audit procedures applicable to certain large partnerships to require that they pay audit adjustments at the partnership level.   | Increased revenue of <b>\$9.3 billion</b> from fiscal years 2019 to 2025, according to the Joint Committee on Taxation.  |
| Strategic Petroleum Reserve (2015, Area 15)              | The Department of Energy completed a long-term strategic review of the Strategic Petroleum Reserve in August 2016, as Congress required in 2015.  | Savings of <b>\$8 billion</b> from selling crude oil from the reserve from 2016 through 2025, according to CBO.  |
| Combat Uniforms (2013, Area 2)                           | The Army chose not to introduce a new family of camouflage uniforms into its inventory.   | Cost avoidance of about <b>\$4.2 billion</b> over 5 years, of which \$2.5 billion has accrued since fiscal year 2014 and \$1.7 billion is expected to accrue in fiscal year 2017 or later, according to agency estimates.                    |
| Agencies' Use of Strategic Sourcing (2013, Area 23)      | The Department of Veterans Affairs (VA) evaluated strategic sourcing opportunities and set goals and metrics such as increasing managed spending for information-technology (IT) products and services.   | Cost avoidance of about <b>\$3.6 billion</b> from fiscal years 2013 through 2015, according to agency estimates.   |
| Real Estate-Owned Properties (2014, Area 18)             | The Department of Housing and Urban Development implemented improvements to its property custody approach including reducing the number of foreclosed properties that it acquires by using other means of resolving troubled mortgages.   | Savings of as much as <b>\$3.4 billion</b> from July 2013 through June 2016, according to GAO estimates.   |
| Overseas Defense Posture (2012, Area 37)                 | United States Forces Korea conducted a series of consultations with the military services to evaluate the costs and benefits associated with tour normalization, and the Department of Defense (DOD) decided not to move forward with the full tour normalization initiative because it was not affordable. | Savings of an estimated <b>\$3.1 billion</b> from fiscal years 2012 through 2016, according to agency estimates.   |
| Homeland Security Grants (2012, Area 17)                 | Congress limited preparedness grant funding until the Federal Emergency Management Agency completes a national preparedness assessment of capability gaps.  | Savings of <b>\$2.55 billion</b> from fiscal years 2011 through 2013, according to GAO estimates.  |

| Area name (annual report year, area number) <sup>a</sup>               | Actions taken  | Financial benefit  |
|--|--|--|
| Overseas Military Presence (2011, Area 36)                             | DOD removed two brigade combat teams from Europe beginning in fiscal year 2013, as well as a number of support units that were no longer strategically necessary on a permanent basis.   | Savings of approximately <b>\$2.3 billion</b> in operations and support costs over 5 years, of which \$1.8 billion has accrued since fiscal year 2013 and \$500 million is expected to accrue in fiscal year 2017 or later, according to agency estimates. |
| Treasury's Foreclosure Prevention Efforts (2016, Area 17)              | The Department of the Treasury (Treasury) updated its analysis of estimated future expenditures for the Making Home Affordable program, reducing the estimated lifetime cost of the program.   | Savings of <b>\$2 billion</b> as a result of deobligating funds in December 2016, according to agency estimates.   |
| Information Technology Investment Portfolio Management (2014, Area 24) | Seven agencies consolidated commodity IT areas to shared services in response to OMB's 2012 guidance to review their portfolios and identify duplicative, low-value, and wasteful investments, contributing to savings.  | Savings of an estimated <b>\$1.4 billion</b> from fiscal years 2012 through 2015, according to agency estimates.   |
| Defense Headquarters (2012, Area 34)                                   | As required by Congress, DOD took steps to issue a plan to reduce the size of headquarters organizations, and Congress appropriated less than DOD requested for its fiscal year 2016 appropriation.  | Cost savings of approximately <b>\$609 million</b> as a result of Congress reducing DOD's 2016 operation and maintenance appropriation from the amount of DOD's budget request, according to GAO analysis.   |
| Children's Disability Reviews (2015, Area 21)                          | The Social Security Administration increased the number of Continuing Disability Reviews (CDRs) for children receiving Supplemental Security Income (SSI) and expects to eliminate the CDR backlog for SSI children by the end of fiscal year 2017, ensuring that only child SSI recipients who are eligible for benefits receive them.                              | Cost savings of about <b>\$467 million</b> as a result of the additional reviews conducted in fiscal year 2013 and savings of more than \$3 billion over time, according to GAO analysis.  |
| Unobligated Balances (2016, Area 24)                                   | The Department of Energy's Western Area Power Administration (WAPA) finalized a strategy to identify appropriate levels of unobligated balances within its Construction, Rehabilitation, Operation, and Maintenance (CROM) account, which focuses on maintaining reasonable and appropriate funding to ensure sustainability of the primary purposes of the account. | Cost savings of <b>\$92 million</b> , as a result of decreasing the level of unobligated balance as of fiscal year 2016 and returning the funds to Treasury, according to agency estimates.  |

Source: GAO. | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

<sup>a</sup>Click the area name to go to GAO's online *Action Tracker* for additional information.

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Congress has also implemented a number of key government-wide statutory requirements in recent years that could help identify areas of fragmentation, overlap, or duplication, or help address issues we raise in this report, including the following:

- **The Program Management Improvement Accountability Act.**<sup>10</sup> The act seeks to improve program and project management in certain federal agencies. Among other things, the act requires the Deputy Director of the Office of Management and Budget (OMB) to adopt and oversee implementation of government-wide standards, policies, and guidelines for program and project management in executive agencies. It further creates a Program Management Policy Council to act as an interagency forum for improving practices related to program and project management. This interagency collaboration and strengthened program management could help reduce fragmentation, overlap, and duplication among federal agencies.
- **The Digital Accountability and Transparency Act of 2014 (DATA Act).**<sup>11</sup> The DATA Act expands on previous federal transparency requirements to link federal agency spending to federal program activities so that taxpayers and policymakers can more effectively track federal spending.<sup>12</sup> Full and effective implementation of the act offers the promise of a much more complete and accurate understanding of federal spending by enabling—for the first time—the federal government as a whole to track these funds at multiple points in the federal spending life cycle, and significantly increasing the types and transparency of data available to Congress, agencies, and the general public. In what will be the first reporting of data in compliance with the act's requirements, agencies must submit second-quarter fiscal year 2017 data in compliance with the act's requirements for inclusion on USASpending.gov in May 2017. This information could potentially help identify areas of fragmentation, overlap, or duplication.
- **Information Technology (IT) acquisition reform, known as the Federal Information Technology Acquisition Reform Act**

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<sup>10</sup>Pub. L. No. 114-264, 130 Stat. 1371 (2016).

<sup>11</sup>Pub. L. No. 113-101, 128 Stat. 1146 (2014). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006. Pub. L. No. 109-282, 120 Stat. 1186 (2006), *codified at* 31 U.S.C. § 6101 note.

<sup>12</sup>GAO, *DATA Act: OMB and Treasury Have Issued Additional Guidance and Have Improved Pilot Design but Implementation Challenges Remain*, GAO-17-156 (Washington, D.C.: Dec. 8, 2016).

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(FITARA).<sup>13</sup> The effective and efficient acquisition and management of IT investments has been a long-standing challenge in the federal government.<sup>14</sup> FITARA holds promise for improving agencies' acquisition of IT and enabling Congress to monitor agencies' progress and hold them accountable for reducing duplication and achieving cost savings. FITARA includes several specific requirements related to existing areas in our fragmentation, overlap, and duplication work, such as implementing the federal data-center consolidation initiative, enhancing transparency, improving risk management, and maximizing the benefits of government-wide software purchasing and the federal strategic sourcing initiative.

- **The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).**<sup>15</sup> Improper payments are a long-standing, widespread, and significant problem in the federal government—totaling over \$1.2 trillion since reporting requirements first began at some agencies in 2003.<sup>16</sup> IPERIA requires agencies to ensure that a thorough review of available databases occurs prior to the release of federal funds. We have identified numerous actions to reduce improper payments in several areas, such as Medicare improper payments, Medicaid improper payments, and refundable tax credits.

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<sup>13</sup>FITARA was enacted into law as a part of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, div. A, title VIII, subtitle D, §§ 831-837, 128 Stat. 3292, 3438-3450 (2014).

<sup>14</sup>GAO, *Information Technology: OMB and Agencies Need to Focus Continued Attention on Implementing Reform Law*, GAO-16-672T (Washington, D.C.: May 18, 2016).

<sup>15</sup>Pub. L. No. 112-248, 126 Stat. 2390 (2013), *codified at* 31 U.S.C. 3321 note, as amended by the Bipartisan Budget Act of 2013, Pub. L. No. 113-67, § 204, 127 Stat. 1165, 1181 (2013), and the Federal Improper Payments Coordination Act of 2015, Pub. L. No. 114-109, §§ 2-4, 129 Stat. 2225, 2225-27 (2015).

<sup>16</sup>GAO, *Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended*, GAO-17-15 (Washington, D.C.: Oct. 14, 2016).

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**Action on Remaining  
and New Areas Could  
Yield Significant  
Additional Benefits**

While Congress and executive branch agencies have made progress toward addressing the 724 total actions we have identified since 2011, further steps are needed to fully address the 395 actions that remain open (i.e., partially or not addressed).<sup>17</sup> We estimate that tens of billions of dollars in additional financial benefits could be realized should Congress and executive branch agencies fully address open actions.<sup>18</sup> In addition to producing financial benefits, these actions make government more efficient; improve major government programs or agencies; reduce mismanagement, fraud, waste, and abuse; and increase assurance that programs comply with laws and funds are legally spent.

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**Significant Open Actions  
Directed to Congress**

Congress has used our work to identify legislative solutions to achieve cost savings, address emerging problems, and find efficiencies in federal agencies and programs. Our work has contributed to a number of key authorizations and appropriations. Congressional oversight has been critical in realizing the full benefits of our suggested actions, and it will continue to be critical in the future. In our 2011 to 2017 annual reports, we directed 97 actions to Congress, including 2 new congressional actions we identified in 2017. Of the 97 actions, 61 remained open (9 were partially addressed and 52 were not addressed) as of March 2017.<sup>19</sup> Table 5 highlights areas with significant open actions directed to Congress.

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<sup>17</sup>The 724 total actions include the 79 new actions we identified in 2017.

<sup>18</sup>In calculating this estimate, we relied on individual estimates from a variety of sources, which considered different time periods, and utilized different data sources, assumptions, and methodologies. These individual estimates are subject to increased uncertainty, depending on whether, how, and when they are addressed. This amount represents a rough estimate of financial benefits.

<sup>19</sup>See app. I for information on open congressional actions.

Table 5: Areas with Significant Open Actions Directed to Congress

| Annual report <sup>a</sup> | Area description <sup>b</sup>  |
|----------------------------|--|
| 2011                       | <b>Social Security Offsets (Area 80):</b> The Social Security Administration (SSA) needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, which could result in estimated savings of <b>\$2.4 billion to \$7.9 billion</b> over 10 years if enforced both retrospectively and prospectively, according to the Congressional Budget Office (CBO) and SSA. The estimated savings would be less if SSA only enforced the offsets prospectively as it would not reduce benefits already received.  |
| 2012                       | <b>Excess Uranium Inventories (Area 40):</b> Giving the Department of Energy authority to sell or transfer excess uranium could provide substantial revenue for the government. In 2014, GAO estimated that actions in this area could increase revenue by about <b>\$1 billion</b> .  |
| 2012                       | <b>Stabilization, Reconstruction, and Humanitarian Assistance Efforts (Area 6):</b> Improving the Department of Defense's (DOD) evaluations of stabilization, reconstruction, and humanitarian assistance efforts, and addressing coordination challenges with the Department of State and the U.S. Agency for International Development, could reduce overlapping efforts and result in the more efficient use of taxpayer dollars. Specifically, Congress should consider amending the legislation that supports the Overseas Humanitarian, Disaster, and Civic Aid-funded humanitarian assistance program—DOD's largest humanitarian assistance program—to more specifically define DOD's role in humanitarian assistance, taking into account the roles and similar types of efforts performed by the civilian agencies. |
| 2013                       | <b>Crop Insurance (Area 19):</b> To achieve up to <b>\$2 billion annually</b> in cost savings in the crop insurance program, Congress could consider limiting the subsidy for premiums that are provided on behalf of individual farmers—as it limits the amount of payments to individual farmers in many farm programs—or reducing the subsidy or some combination of limiting and reducing these subsidies.   |
| 2013                       | <b>Tobacco Taxes (Area 31):</b> Federal revenue losses ranged from as much as <b>\$615 million to \$1.1 billion</b> between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.   |
| 2014                       | <b>Disability and Unemployment Benefits (Area 8):</b> Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance (UI) benefits that cover the same period, which could save <b>\$1.9 billion</b> over 10 years in the Social Security Disability Insurance program, according to CBO.  |
| 2014                       | <b>Advanced Technology Vehicles Manufacturing Loan Program (Area 13):</b> Unless the Department of Energy can demonstrate demand for new Advanced Technology Vehicles Manufacturing (ATVM) loans and viable applications, Congress may wish to consider rescinding all or part of the remaining <b>\$4.2 billion</b> in credit subsidy appropriations.   |
| 2015                       | <b>Medicare Payments to Certain Cancer Hospitals (Area 19):</b> To achieve almost <b>\$500 million per year</b> in program savings, Congress should consider modifying how Medicare pays certain cancer hospitals.   |
| 2015                       | <b>DOD US Family Health Plan (Area 6):</b> To potentially save <b>millions of dollars</b> and eliminate duplication within DOD's health care system, Congress should terminate the statutorily required US Family Health Plan because it offers military beneficiaries the same health care benefit offered by other DOD health care contractors.  |
| 2016                       | <b>Medicare Payments by Place of Service (Area 30):</b> Medicare could save <b>billions of dollars</b> if Congress were to equalize the rates Medicare pays for certain health care services, which often vary depending on where the service is performed. <sup>c</sup>   |
| 2017                       | <b>Use of the Do Not Pay Working System (Area 11):</b> The Office of Management and Budget needs to develop a strategy and additional guidance on the use of the Do Not Pay working system, and Congress should consider amending the Social Security Act to explicitly allow the SSA to share its full death file through the system to reduce improper payments and mitigate the risks associated with potential duplication.  |

Source: GAO. | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

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<sup>a</sup>Click on the year in the Annual Report column to go to the report in which this area was first introduced.

<sup>b</sup>Click on the area identified to go to our online *Action Tracker*, which shows the current status of the for all actions in the specified area.

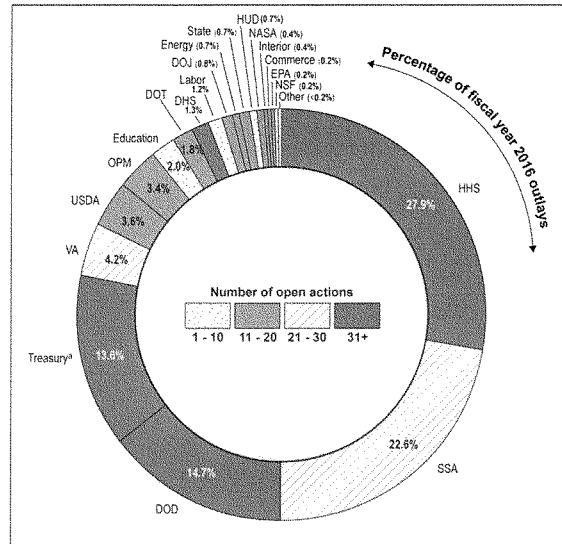
<sup>c</sup>In 2015, Congress took some steps to address this by excluding services furnished by off-campus hospital outpatient departments from this higher payment, effective January 1, 2017. However, this exclusion will not apply to services furnished by providers billing as hospital outpatient departments prior to enactment of the legislation—that is, all providers billing as hospital outpatients during our study—who would continue to be paid under higher rate or to services provided by on-campus hospital outpatient departments. Congress later added providers meeting a mid-build requirement to the list of providers to which the exclusion would not apply.

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**Significant Open Actions  
Directed to Executive  
Branch Agencies**

In our 2011 to 2017 annual reports, we directed 627 actions to executive branch agencies, including 77 new actions identified in 2017. Of the 627 actions, over half—334—remained open (192 were partially addressed and 142 were not addressed) as of March 2017. While these open actions span the government, a substantial number of actions are directed to seven agencies that made up 84 percent—\$3.6 trillion—of federal outlays in fiscal year 2016; see figure 3.

Figure 3: Fiscal Year 2016 Outlays and Number of Open Actions since 2011, by Agency



Source: GAO. | GAO-17-562T

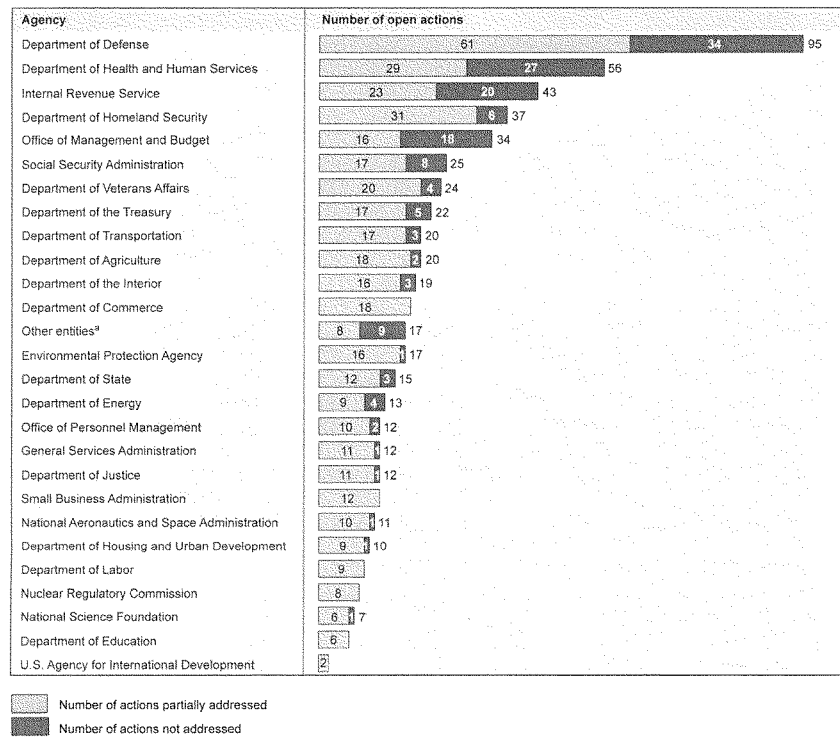
Notes: Number of open actions includes actions that are partially addressed and not addressed.

\*Treasury's percentage of fiscal year 2016 outlays includes interest payments on the national debt.

As shown in figure 4, 10 agencies have at least 20 open actions.



Figure 4: Number of Not Addressed and Partially Addressed Actions since 2011, by Agency



Source: GAO. | GAO-17-562T

Notes: Action status is as of March 2017. Individual actions are counted multiple times when they are directed to more than one federal department or agency. As a result, the number of open actions shown in this figure totals 576 instead of 334: 334 is the total number of open actions directed to the executive branch as of March 2017.

The number of actions "partially addressed" means the action needed is in development or started but not yet completed. The number of actions "not addressed" means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed. Actions that were introduced in the 2017 annual report are counted as "not addressed."

\*"Other entities" reflects open actions directed to the following federal entities: The Executive Office of the President, National Security Council, Office of the Director of National Intelligence, Office of National Drug Control Policy, Office of Science and Technology Policy, Homeland Security Council, Consumer Financial Protection Bureau, Federal Reserve, U.S. Commission on International Religious Freedom, National Transportation and Information Administration, and the Federal Communications Commission.

#### More Efficiently Targeting Defense Resources

In our 2011 to 2017 reports, we directed 168 actions to the Department of Defense (DOD) in areas that contribute to DOD's effectiveness in providing the military forces needed to deter war and to protect the security of the United States. As of March 2017, 95 of these 168 actions remained open. DOD represented about 15 percent of federal spending in fiscal year 2016, with outlays totaling about \$637.6 billion. Our work suggests that effectively implementing our open actions, including those related to areas listed in table 6, could yield substantial financial benefits.

**Table 6: Examples of Areas with Open Actions Directed to the Department of Defense**

| Annual report <sup>a</sup> | Area description <sup>b</sup>  |
|----------------------------|--|
| 2011                       | <b>Weapon Systems Acquisition Programs (Area 38):</b> Employing best management practices could help the Department of Defense (DOD) save money on its weapon systems acquisition programs. Given the trillion-dollar size of the portfolio, GAO estimates potential savings from addressing the remaining actions could be in the <b>tens of billions of dollars</b> over time.   |
| 2013                       | <b>Agencies' Use of Strategic Sourcing (Area 23):</b> Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest spending procurement categories. GAO estimates that savings of 1 percent from selected agencies' procurement spending alone would equate to <b>over \$4 billion</b> . |
| 2015                       | <b>DOD Headquarters Reductions (Area 14):</b> DOD could potentially achieve <b>hundreds of millions of dollars</b> in cost savings and help to ensure that headquarters organizations are properly sized to meet their assigned missions by reevaluating its ongoing headquarters-reductions efforts and conducting periodic reassessments of workforce requirements.  |
| 2017                       | <b>DOD Commissaries (Area 16):</b> By managing its commissaries more efficiently, DOD could position itself to better achieve its cost savings target of <b>\$2 billion</b> .  |

Source: GAO. | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

<sup>a</sup>Click on the year in the Annual Report column to go to the report in which this area was first introduced.

<sup>b</sup>Click on the area identified to go to our online *Action Tracker*, which shows the current status of for all actions in the specified area.

### Improving the Efficiency of Health Care Programs

In our 2011 to 2017 reports, we directed 98 actions to the Department of Health and Human Services (HHS) in areas that contribute to HHS's mission to enhance the health and well-being of Americans. HHS administers Medicare, which in fiscal year 2016 financed health services for over 57 million beneficiaries at an estimated cost of \$696 billion. HHS also administers Medicaid, which covered an estimated 72.2 million low-income people in fiscal year 2016 at a cost of \$575.9 billion.<sup>20</sup> HHS represents about 28 percent of the fiscal year 2016 federal budget, with outlays totaling about \$1.2 trillion. As of March 2017, 56 of HHS's 98 actions remained open. Our work suggests that effectively implementing these actions, such as those related to areas listed in table 7, could yield substantial financial benefits.

**Table 7: Examples of Areas with Open Actions Directed to the Department of Health and Human Services**

| Annual report <sup>a</sup> | Area description <sup>b</sup>   |
|----------------------------|---|
| <b>Medicare</b>            |   |
| 2012                       | <b>Medicare Advantage Payments (Area 45):</b> To help ensure appropriate payments to Medicare Advantage plans, CMS should take steps to improve the accuracy of the adjustment made for differences in diagnostic coding practices between Medicare Advantage plans and traditional Medicare providers. We previously reported that these shortcomings in CMS's adjustment resulted in excess payments to Medicare Advantage plans totaling an estimated <b>\$3.2 billion to \$5.1 billion</b> over a 3-year period from 2010 through 2012.   |
| 2013                       | <b>Medicare Prepayment Controls (Area 25):</b> More widespread use of prepayment edits could reduce improper payments and achieve other costs savings for the Medicare program, as well as provide more consistent coverage nationwide.   |
| 2015                       | <b>Medicare Postpayment Claims Reviews (Area 7):</b> To prevent inappropriate duplicative postpayment claims reviews by contractors, the Centers for Medicare & Medicaid Services should monitor the Recovery Audit Data Warehouse—the database developed in part to prevent duplicative reviews.   |
| 2017                       | <b>Federal Payments for Hospital Uncompensated Care (Area 25):</b> By better aligning federal payments for hospitals' uncompensated care—services provided to uninsured and low-income patients for which hospitals are not fully compensated—with hospitals' costs, the Centers for Medicare & Medicaid Services could potentially save <b>over a billion dollars annually</b> .   |
| <b>Medicaid</b>            |   |
| 2014, 2016                 | <b>Demonstration Spending (Areas 21, 27):</b> Federal spending on Medicaid demonstrations could be reduced by <b>billions of dollars</b> if the Department of Health and Human Services (HHS) improved the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations, including better ensuring that valid methods are used to demonstrate budget neutrality and implemented other actions and recommendations, such as establishing specific criteria for assessing whether demonstration spending furthers Medicaid objectives. |

<sup>20</sup>Of the \$575.9 billion, \$363.4 billion was financed by the federal government and the remainder by states.

| Annual report <sup>a</sup> | Area description <sup>b</sup>  |
|----------------------------|--|
| 2016                       | <b>Payments to Institutional Providers (Area 29):</b> CMS should take steps to improve the oversight of state Medicaid payments to institutional providers and better ensure that the federal government does not provide funds for excessive state payments made to certain providers, which could result in savings of <b>hundreds of millions of dollars annually</b> . |
| 2017                       | <b>Medicaid Personal Care Services Data (Area 26):</b> CMS needs timely, complete, and consistent data on Medicaid personal care services so it can effectively monitor these services, which could lead to savings of <b>tens of millions of dollars annually</b> .   |

Source: GAO | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

<sup>a</sup>Click on the year in the Annual Report column to go to the report in which this area was first introduced.

<sup>b</sup>Click on the area identified to go to our online *Action Tracker*, which shows the current status of for all actions in the specified area.

#### Enhancing Federal Revenues

In our 2011 to 2017 reports, we directed 83 actions to the Internal Revenue Service (IRS) in areas that contribute to effectively and efficiently providing quality service to taxpayers and enforcing the law with integrity and fairness to all. As of March 2017, 43 of these 83 actions remained open. The funding of the federal government depends largely upon IRS's ability to collect taxes—in fiscal year 2016, IRS collected about \$3.3 trillion. Our work suggests that effective implementation of our open actions, such as those related to areas listed in table 8, could substantially increase revenues and result in other financial benefits.

**Table 8: Examples of Areas with Open Actions Directed to the Internal Revenue Service**

| Annual report <sup>a</sup> | Area description <sup>b</sup>   |
|----------------------------|---|
| 2013, 2015                 | <b>Tax Policy and Enforcement (Areas 22, 17):</b> By using more-rigorous analyses to allocate enforcement resources and using data to improve management of enforcement programs such as large partnership and correspondence audits, among other things, the Internal Revenue Service (IRS) can increase revenue collections by <b>billions of dollars</b> . |
| 2014                       | <b>Online Taxpayer Services (Area 17):</b> IRS could potentially realize <b>hundreds of millions of dollars</b> in cost savings and increased revenues by enhancing its online services, which would improve service to taxpayers and encourage greater tax-law compliance.   |
| 2016                       | <b>IRS's Public Referral Programs (Area 6):</b> IRS could potentially collect <b>billions of dollars</b> in tax underpayments through its nine public referral programs and save resources by better managing fragmentation and overlap, improving communication, and streamlining processes.   |
| 2016                       | <b>Identity Theft Refund Fraud (Area 22):</b> IRS and Congress could potentially save <b>billions of dollars</b> in fraudulent refunds by improving the agency's efforts to prevent refund fraud associated with identity theft.  |

| Annual report <sup>a</sup> | Area description <sup>b</sup>  |
|----------------------------|--|
| 2017                       | <b>Refundable Tax Credits (Area 24):</b> IRS could potentially realize <b>hundreds of millions of dollars</b> in cost savings by improving the administration of three large refundable tax credits (the Earned Income Tax Credit, the Additional Child Tax Credit which is sometimes combined with its nonrefundable counterpart, the Child Tax Credit, and the American Opportunity Tax Credit). |

Source: GAO. | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

<sup>a</sup>Click on the year in the Annual Report column to go to the report in which this area was first introduced.

<sup>b</sup>Click on the area identified to go to our online *Action Tracker*, which shows the current status for all actions in the specified area.

#### Improving the Efficiency and Effectiveness of Homeland Security Operations

In our 2011 to 2017 reports, we directed 78 actions to the Department of Homeland Security (DHS) in areas that contribute to the effective implementation of its mission to, among other things, prevent terrorist attacks from occurring within the United States, reduce U.S. vulnerability to terrorism, and help the nation recover from any attacks that may occur. In fiscal year 2016, DHS spent about \$57.6 billion, about 1.3 percent of federal outlays. As of March 2017, 37 of the 78 actions to DHS remained open. Fully implementing these actions, such as those related to areas listed in table 9, could result in financial benefits and substantial improvements in operations.

**Table 9: Examples of Areas with Open Actions Directed to the Department of Homeland Security**

| Annual report <sup>a</sup> | Area description <sup>b</sup>   |
|----------------------------|---|
| 2012                       | <b>Homeland Security Grants (Area 17):</b> The Department of Homeland Security (DHS) needs better project information and coordination among four overlapping grant programs and needs to establish a framework for assessing preparedness capabilities to identify gaps and prioritize investments.  |
| 2012                       | <b>Domestic Disaster Assistance (Area 51):</b> The Federal Emergency Management Agency could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance. |
| 2012                       | <b>Border Security (Area 47):</b> Delaying proposed investments for future acquisitions of border surveillance technology until DHS better defines and measures benefits and estimates life-cycle costs could help ensure the most effective use of future program funding.   |
| 2015                       | <b>Vulnerability Assessments of Critical Infrastructure (Area 9):</b> DHS could mitigate potential duplication or gaps by consistently capturing and maintaining data from overlapping vulnerability assessments of critical infrastructure and improving data sharing and coordination among the offices and components involved with these assessments.     |

Source: GAO. | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

### Advancing the Implementation of Government-wide Policies and Performance

Many of the results the federal government seeks to achieve require the coordinated effort of more than one federal agency, level of government, or sector. The Office of Management and Budget (OMB) manages and coordinates many government-wide efforts. In our 2011 to 2017 reports, we directed 64 actions to OMB in areas to improve the efficiency and effectiveness of government-wide programs and activities. As of March 2017, 34 of the 64 actions to OMB remained open. Fully implementing these actions, such as those related to areas listed in table 10, could yield substantial financial benefits and program improvements.

**Table 10: Examples of Areas with Open Actions Directed to the Office of Management and Budget**

| Annual report <sup>a</sup> | Area description <sup>b</sup>   |
|----------------------------|---|
| 2011                       | <b>Tax Expenditures (Area 17):</b> Periodic reviews could help identify ineffective tax expenditures and redundancies in related tax and spending programs, potentially reducing revenue losses by <b>billions of dollars</b> .   |
| 2011                       | <b>Government-wide Improper Payments (Area 46):</b> Efforts to address the reported estimate of over \$144 billion in government-wide improper payments for fiscal year 2016 could result in significant cost savings.  |
| 2012                       | <b>Federal User Fees (Area 43):</b> Regularly reviewing federal user fees and charges can help the Congress and federal agencies identify opportunities to address inconsistent federal funding approaches and enhance user financing, thereby reducing reliance on general fund appropriations.  |
| 2013                       | <b>Geospatial Investments (Area 11):</b> Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of <b>millions of dollars</b> .  |
| 2014                       | <b>Information Technology Investment Portfolio Management (Area 24):</b> The Office of Management and Budget and multiple agencies could help the federal government realize <b>billions of dollars</b> in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information-technology investments. |

Source: GAO. | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

<sup>a</sup>Click on the year in the Annual Report column to go to the report in which this area was first introduced.

<sup>b</sup>Click on the area identified to go to our online *Action Tracker*, which shows the current status for all actions in the specified area.

### More Efficiently Administering Services to Retirees and Disabled Citizens

In our 2011 to 2017 reports, we directed 28 actions to the Social Security Administration (SSA) in areas that contribute to SSA providing financial assistance to eligible individuals through Social Security retirement and disability benefits and Supplemental Security Income (SSI) payments. As

of March 2017, 25 of these 28 actions remained open. In fiscal year 2016, SSA spent about \$979.7 billion, roughly 23 percent of federal outlays. While most of SSA's funding is used to pay Social Security retirement, survivors, and disability benefits from the Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, our work suggests that effective implementation of these actions, such as the examples listed in table 11, could yield substantial benefits.

**Table 11: Examples of Areas with Open Actions Directed to the Social Security Administration**

| Annual report <sup>a</sup> | Area description <sup>b</sup>   |
|----------------------------|---|
| 2012                       | <b>Social Security Benefit Coordination (Area 27):</b> Benefit offsets for related programs help reduce the potential for overlapping payments but pose administrative challenges.  |
| 2016                       | <b>Disability Insurance Overpayments (Area 32):</b> To help prevent the loss of <b>billions of dollars</b> , the Social Security Administration (SSA) should take steps to prevent overpayments to beneficiaries of the Disability Insurance program and improper waivers of beneficiaries' overpayment debt. |
| 2016                       | <b>Disability Reviews (Area 33):</b> SSA may increase federal savings realized as a result of disability reviews by further considering factors that affect individuals' expected lifetime benefits when prioritizing its reviews of Disability Insurance and Supplemental Security Income cases.             |

Source: GAO | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

<sup>a</sup>Click on the year in the Annual Report column to go to the report in which this area was first introduced.

<sup>b</sup>Click on the area identified to go to our on-line *Action Tracker*, which shows the current status for all actions in the specified area.

## Improving Support and Services for Veterans

In our 2011 to 2017 reports, we directed 44 actions to the Department of Veterans Affairs (VA) in areas that contribute to VA effectively and efficiently achieving its mission to promote the health, welfare, and dignity of all veterans by ensuring that they receive medical care, benefits, and social support. As of March 2017, 24 of these 44 actions remained open. In fiscal year 2016, VA spent about \$179.6 billion—about 4 percent of federal outlays—for veterans' benefits and services. Our work suggests that effective implementation of these actions, such as those related to areas listed in table 12, could yield cost savings and efficiencies that would improve the delivery of services.

Table 12: Examples of Areas with Open Actions Directed to the Department of Veterans Affairs

| Annual report <sup>a</sup> | Area description <sup>b</sup>   |
|----------------------------|---|
| 2012                       | <b>Military and Veterans Health Care (Area 15):</b> The Departments of Defense (DOD) and Veterans Affairs (VA) need to improve integration across care coordination and case-management programs to reduce duplication and better assist service members, veterans, and their families.   |
| 2013                       | <b>Information Technology Operations and Maintenance (Area 30):</b> Strengthening oversight of key federal agencies'—including VA's—major information-technology investments in operations and maintenance provides opportunity for savings of <b>billions of dollars</b> in information-technology investments across the federal government.  |
| 2016                       | <b>VA's Individual Unemployability Benefit (Area 34):</b> To potentially achieve cost savings, the VA should develop a plan to study whether age should be considered when deciding whether veterans are unemployable due to service-connected disabilities. By comparison, other benefit programs, such as Social Security Disability Insurance, consider retirement age a cause for ineligibility and convert benefits for those reaching their full retirement age to a Social Security retirement benefit. If it were determined that Total Disability Individual Unemployability benefits should be provided only to veterans younger than their full Social Security retirement age, the agency could achieve an estimated <b>\$15 billion</b> in savings from 2015 through 2023, according to the Congressional Budget Office. |
| 2017                       | <b>Department of Veterans Affairs Medical Facility Construction (Area 20):</b> VA could better avoid cost increases and schedule delays on its medical facility construction projects by improving management of facility construction.   |

Source: GAO. | GAO-17-562T

Note: The estimates in this report are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated since GAO's 2016 report to reflect more recent analysis.

<sup>a</sup>Click on the year in the Annual Report column to go to the report in which this area was first introduced.

<sup>b</sup>Click on the area identified to go to our online *Action Tracker*, which shows the current status for all actions in the specified area.

We will continue to look for additional or emerging instances of fragmentation, overlap, and duplication and opportunities for cost savings or revenue enhancement. Likewise, we will continue to monitor developments in the areas we have already identified. We stand ready to assist this and other committees in further analyzing the issues we have identified and evaluating potential solutions.

Thank you, Chairman Johnson, Ranking Member McCaskill, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer questions.



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**GAO Contacts**

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## Appendix I: Open Congressional Actions, by Mission

In our 2011 to 2017 annual reports, we directed 97 actions to Congress, of which 61 remain open. Of the 61 open congressional actions, 9 are partially addressed and 52 are not addressed, as of March 1, 2017. See table 13.

**Table 13: GAO-Identified Open Congressional Actions Related to Fragmentation, Overlap, Duplication, Cost Savings, or Revenue Enhancement, 2011 to 2017**

| Mission     | Annual report | Area  | Action summary  |
|-------------|---------------|---|---|
| Agriculture | 2011          | Food Safety (Area 1)  | Congress should consider commissioning the National Academy of Sciences or a blue ribbon panel to conduct a detailed analysis of alternative food safety organizational structures.<br><br>Congress should consider formalizing the Food Safety Working Group through statute to help ensure sustained leadership across food safety agencies over time.  |
|             | 2013          | Catfish Inspection (Area 1)   | Congress should consider repealing provisions of the 2008 Farm Bill assigning the U.S. Department of Agriculture (USDA) responsibility for examining and inspecting catfish and for creating a catfish inspection program. Implementing this action could save taxpayers <b>\$2.6 million annually</b> , according to a Food Safety and Inspection Service estimate.  |
|             |               | Agricultural Quarantine Inspection Fees (Area 18)                           | Congress should consider taking steps to allow the Secretary of Agriculture to set fee rates to recover the full costs of the Agricultural Quarantine Inspection program. Implementing this action could have resulted in savings of <b>\$93 million in fiscal years 2016 and 2017</b> , according to GAO analysis.   |
|             |               | Crop Insurance (Area 19)  | Congress may wish to consider either limiting the amount of premium subsidies that an individual farmer can receive each year—as it limits the amount of payments to individual farmers in many farm programs—or reducing premium subsidy rates, or both limiting premium subsidies and reducing premium subsidy rates. Implementing this action could achieve up to <b>nearly \$2 billion per year</b> in cost savings, according to a GAO estimate.   |
| Defense     | 2012          | Stabilization, Reconstruction, and Humanitarian Assistance Efforts (Area 6) | Congress should consider amending the legislation that supports the Overseas Humanitarian, Disaster, and Civic Aid–funded humanitarian assistance program—the Department of Defense’s (DOD) largest humanitarian assistance program—to more specifically define DOD’s role in humanitarian assistance, taking into account the roles and similar types of efforts performed by the civilian agencies.   |
|             | 2013          | Joint Basing (Area 20)  | Congress should consider directing the Assistant Secretary of Defense for Energy, Installations, and Environment, in collaboration with the military services and joint bases, to evaluate the purpose of the program and determine whether the current goals, as stated in the 2005 Base Realignment and Closure Commission recommendation, are still appropriate, or whether goals should be revised; communicate these goals to the military services and joint bases, and adjust program activities accordingly; provide direction to the joint bases on requirements for meeting program goals, including determining reporting requirements and milestones; and determine any next steps for joint basing, including whether to expand it to other installations. |

Appendix I: Open Congressional Actions, by Mission

| Mission              | Annual report | Area  | Action summary   |
|----------------------|---------------|---|--|
| Economic development | 2011          | Essential Air Service (Area 42)                     | <p>Congress may wish to consider revising the program's operating requirements for providing air service to communities to improve efficiency and to better match capacity with community use.</p> <p>This action is partially addressed. Congress has taken some action to address this action, such as revising the program's operating requirements most recently in the Consolidated and Further Continuing Appropriations Act of 2016. However, opportunities still exist to address this action, such as allowing flexibility in the number of flights provided.</p> <p>Congress may wish to consider assessing multimodal solutions, such as more cost-effective bus service to hub airports or air taxi service, to provide communities alternatives to Essential Air Service.</p> |
|                      | 2016          | Treasury's Foreclosure Prevention Efforts (Area 17) | <p>Congress should consider rescinding any Department of the Treasury (Treasury)-deobligated excess Making Home Affordable (MHA) balances that Treasury does not move into the Hardest Hit Fund.</p> <p>The agency estimated \$4.7 billion in potential excess funds, \$2 billion of which Treasury deobligated in February 2016. As of March 1, 2017, Treasury had not deobligated MHA program funds beyond the \$2 billion that it transferred to the Troubled Asset Relief Program-funded Hardest Hit Fund in February 2016. To the extent that Treasury identifies and deobligates any MHA funds that are likely to not be expended, these funds may then be available for Congress to rescind and use elsewhere for other priorities.</p>   |
| Energy               | 2011          | Federal Fleet Energy Goals (Area 12)                | Congress should consider changes in existing laws to streamline the requirements and provide fleet managers with more flexibility in meeting goals.  |
|                      |               | Oil and Gas Resources (Area 45)                     | <p>Congress may need to take action to require Interior to establish an annual production incentive fee or similar fee for nonproducing leases.</p> <p>If the Department of the Interior (Interior) chooses not to take any action based on its study, examining how other oil and gas resource owners select fiscal parameters for leasing and adjusting oil and gas royalty rates, Congress may wish to provide additional guidance or take additional actions to direct Interior to improve its oversight of federal lands and waters and the revenues derived from production of oil and gas. Implementing the actions in this area could result in approximately \$1.7 billion in revenues over 10 years, according to an Interior estimate.</p>                                      |
|                      | 2012          | Excess Uranium Inventories (Area 40)                | Congress may wish to clarify the Department of Energy's (DOE) statutory authority regarding depleted uranium, explicitly providing direction about whether and how DOE may sell or transfer the tails in their current form. Depending on the terms of the legislation, and given the significant amount of tails in inventory, the government could garner substantial revenue as a result.   |

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| Mission | Annual report      | Area  | Action summary   |
|---------|--------------------|---|--|
|         |                    |   | If Congress sees merit in using the proceeds from the barter, transfer, or sale of federal uranium assets to pay for environmental cleanup of uranium enrichment plants, it could consider providing DOE with explicit authority to barter excess uranium and to retain the proceeds from all three types of uranium transactions (barter, transfer, and sale). Likewise, Congress could direct DOE to sell uranium for cash and make those proceeds available by appropriation for decontamination and decommissioning expenses at DOE's uranium enrichment plants. Implementing the two actions in this area could result in a increased revenue of about <b>\$1 billion</b> , according to a GAO estimate.  |
|         | 2014               | Advanced Technology Vehicles Manufacturing Loan Program (Area 13) | Unless DOE can demonstrate a demand for new Advanced Technology Vehicles Manufacturing loans and viable applications, Congress may wish to consider rescinding all or part of the remaining <b>\$4.2 billion</b> in credit subsidy appropriations. Implementing this action could result in savings of <b>\$4.2 billion</b> , according to a GAO estimate.   |
|         | 2015               | U.S. Enrichment Corporation Fund (Area 16)                        | Congress may wish to permanently rescind the entire <b>\$1.6 billion</b> balance of the U.S. Enrichment Corporation Fund. Rescission may increase the transparency of federal agencies' budget presentations and help Congress have a clear understanding of how new funding requests relate to funding decisions for existing projects with continuing resource needs.  |
|         | General government | Simple Tax Return Errors (Area 56)                                | Congress may want to consider granting the Internal Revenue Service (IRS) broader math error authority, with appropriate safeguards against misuse of that authority, to correct errors during tax return processing. This action is partially addressed. The Consolidated Appropriations Act, 2016 gave IRS additional math error authority, but limited to certain circumstances. Giving IRS broader math error authority with appropriate controls would enable IRS to correct obvious noncompliance, would be less intrusive and burdensome to taxpayers than audits, and would potentially help taxpayers who underclaim tax benefits to which they are entitled. Implementing this action could result in cost savings of \$274 million, between fiscal years 2018 and 2026, according to the Joint Committee on Taxation. |
|         |                    | S Corporations (Area 63)  | Congress could require S corporations to use information already available to them to calculate shareholders' basis as completely as possible and report it to shareholders and IRS.   |
|         |                    | Research Tax Credit (Area 65)                                     | Congress could eliminate the regular credit and add a minimum base amount (equal to 50 percent of a taxpayer's current spending) to the method for computing the alternative simplified credit.  |

Appendix I: Open Congressional Actions, by Mission

| Mission | Annual report | Area   | Action summary  |
|---------|---------------|--|---|
|         |               | New Markets Tax Credit (Area 66)                       | Congress should consider offering grants in lieu of credits to Community Development Entities (CDE) if it extends the program again. If it does so, Congress should require the Department of the Treasury to gather appropriate data to assess whether and to what extent the grant program increases the amount of federal subsidy provided to low-income community businesses compared to the New Markets Tax Credit (NMTC); how costs for administering the program incurred by the Community Development Financial Institutions (CDFI) Fund, CDEs, and investors would change; and whether the grant program otherwise affects the success of efforts to assist low-income communities. One option would be for Congress to set aside a portion of funds to be used as grants and a portion to be used as tax credit allocation authority under the current structure of the program to facilitate comparison of the two program structures. |
|         |               | Governmental Bonds (Area 67)                           | Congress should consider whether facilities, including hotels and golf courses, that are privately used should be financed with tax-exempt government bonds.  |
|         | 2012          | Internal Revenue Service Enforcement Efforts (Area 44) | Congress may wish to make owners of rental real estate subject to the same payment reporting requirements regardless of whether they engaged in a trade or business under current law. Implementing this action could result in savings of <b>\$2.6 billion</b> between fiscal years 2011 and 2020, according to the Joint Committee on Taxation.<br><br>To help improve taxpayer compliance, Congress may wish to require payers to report service payments to corporations, thereby reducing payers' burden to determine which payments require reporting.  |
|         | 2015          | Consumer Product Safety Oversight (Area 4)             | Congress should consider transferring the oversight of the markings of toy and imitation firearms in section 5001 of title 15 of the U.S. Code from the Department of Commerce's National Institute of Standards and Technology to the Consumer Product Safety Commission.<br><br>Congress should consider establishing a formal comprehensive oversight mechanism for consumer product safety agencies to address crosscutting issues as well as inefficiencies related to fragmentation and overlap such as communication and coordination challenges and jurisdictional questions between agencies. Different types of formal mechanisms could include, for example, creating a memorandum of understanding to formalize relationships and agreements or establishing a task force or interagency work group. As a starting point, Congress may wish to obtain agency input on options for establishing more formal coordination.              |
|         | 2015          | Tax Policies and Enforcement (Area 17)                 | Congress should consider revisiting the use of individual retirement accounts (IRA) to accumulate large balances and considering ways to improve the equity of the existing tax expenditure on IRAs. Options could include limits on (1) the types of assets permitted in IRAs, (2) the minimum valuation for an asset purchased in an IRA, or (3) the amount of assets that can be accumulated in IRAs and employer-sponsored plans that get preferential tax treatment.<br><br>Congress should consider expanding the mandate that partnerships and S corporations electronically file their tax returns in order to cover a greater share of filed returns.  |

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| Mission | Annual report | Area   | Action summary  |
|---------|---------------|--|---|
|         | 2016          | Financial Regulatory Structure (Area 5)        | <p>Congress should consider whether additional changes to the financial regulatory structure are needed to improve (1) the efficiency and effectiveness of oversight; (2) the consistency of consumer and investor protections; and (3) the consistency of financial oversight for similar institutions, products, risks, and services.</p> <p>Congress should consider whether legislative changes are necessary to align the Financial Stability Oversight Council's authorities with its mission to respond to systemic risks.</p>   |
|         | 2016          | Identity Theft Refund Fraud (Area 22)          | <p>Congress should consider providing the Secretary of the Treasury with the regulatory authority to lower the threshold for electronic filing of W-2s from 250 returns annually to between 5 to 10 returns, as appropriate. Implementing the actions in this area could result in savings of <b>billions of dollars</b>, according to IRS and GAO analyses.</p>  |
|         | 2017          | Recovery Operations Center Closure (Area 10)   | <p>Congress may wish to consider directing the Council of the Inspectors General for Integrity and Efficiency (CIGIE) to develop a legislative proposal to reconstitute the essential capabilities of the Recovery Operations Center to help ensure federal spending accountability.</p>  |
|         | 2017          | Use of the Do Not Pay Working System (Area 11) | <p>Congress should consider amending the Social Security Act to explicitly allow the Social Security Administration to share its full death file with the Department of the Treasury for use through the Do Not Pay working system.</p>   |
| Health  | 2011          | Medicare's Health Care Payments (Area 74)      | <p>Congress could exempt from the budget neutrality requirement savings attributable to policies that reflect efficiencies occurring when services are furnished together.</p> <p>This action is partially addressed. While Congress has exempted certain savings from the budget neutrality requirement, other services remain subject to this requirement.</p>  |
|         | 2013          | Medicaid Supplemental Payments (Area 26)       | <p>Congress should consider requiring the Administrator of the Centers for Medicare &amp; Medicaid Services (CMS) to improve state reporting of non-disproportionate share hospital (DSH) supplemental payments, including requiring annual reporting of payments made to individual facilities and other information that the agency determines is necessary to oversee non-DSH payments.</p> <p>This action is partially addressed. In January 2017, a bill, H.R. 541, was introduced in the House of Representatives which, if enacted, would require annual state reporting of non-DSH supplemental payments made to individual facilities. However, as of March 2017, Congress has not enacted legislation to require such reporting. In addition, CMS has taken some action, including issuing a State Medicaid Director Letter requiring annual reporting of certain Medicaid supplemental payments and awarding a contract to review Medicaid supplemental payment information submitted by states.</p> |

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| Mission | Annual report | Area  | Action summary   |
|---------|---------------|---|--|
|         |               |   | <p>Congress should consider requiring the Administrator of CMS to clarify permissible methods of calculating non-DSH supplemental payments. This action is partially addressed. In January 2017, a bill, H.R. 541, was introduced in the House of Representatives which, if enacted, would require CMS to issue guidance to states that identifies permissible methods for calculating non-DSH supplemental payments to providers. However, as of March 2017, Congress has not enacted legislation to require CMS to issue such guidance. In addition, CMS has taken some action, including issuing a State Medicaid Director Letter requiring states to submit non-DSH supplemental payment information and awarding a contract to review Medicaid supplemental payment information submitted by states.</p> <p>Congress should consider requiring the Administrator of CMS to require states to submit an annual independent certified audit verifying state compliance with permissible methods for calculating non-DSH supplemental payments.</p> <p>Implementing the actions in this area could result in <b>hundreds of millions dollars</b> in cost savings, according to GAO analysis.</p> |
|         | 2014          | Medicaid Demonstration Waivers (Area 21)                | <p>Congress could consider requiring the Secretary of Health and Human Services to improve the Medicaid demonstration review process, through steps such as improving the review criteria, better ensuring that valid methods are used to demonstrate budget neutrality, and documenting and making clear the basis for the approved limits.</p> <p>Implementing the actions in this area could result in <b>billions of dollars</b> in cost savings, according to GAO analysis.</p>   |
|         | 2015          | DOD US Family Health Plan (Area 6)                      | <p>Congress should terminate the Secretary of Defense's authority to contract with the US Family Health Plan (USFHP) designated providers in a manner consistent with a reasonable transition of affected enrollees into TRICARE's USFHP regional managed care program or other health care programs, as appropriate. Implementing this action could result in savings of <b>\$157 million</b> from fiscal year 2018 through fiscal year 2022, according to GAO analysis.</p>  |
|         | 2015          | Medicare Payments to Certain Cancer Hospitals (Area 19) | <p>Congress should consider requiring Medicare to pay prospective payment system (PPS)-exempt cancer hospitals (PCH) as it pays PPS teaching hospitals, or provide the Secretary of Health and Human Services with the authority to otherwise modify how Medicare pays PCHs, and provide that all forgone outpatient payment adjustment amounts be returned to the Supplementary Medical Insurance Trust Fund. GAO estimated this action could result in savings of almost <b>\$500 million per year</b>.</p>  |
|         | 2016          | Medicare Payments by Place of Service (Area 30)         | <p>Congress should consider directing the Secretary of Health and Human Services to equalize payment rates between settings for evaluation and management office visits—and other services that the Secretary deems appropriate—and return the associated savings to the Medicare program. Implementing this action could lead to <b>\$1 billion per year</b> in savings, according to estimates from MedPAC and the Bipartisan Policy Center.</p>   |

Appendix I: Open Congressional Actions, by Mission

| Mission                           | Annual report | Area                                 | Action summary  |
|-----------------------------------|---------------|--------------------------------------|---|
| Homeland security/law enforcement | 2012          | Homeland Security Grants (Area 17)   | <p>Congress may want to consider requiring the Department of Homeland Security (DHS) to report on the results of its efforts to identify and prevent unnecessary duplication within and across the State Homeland Security Grant Program, Urban Areas Security Initiative, Port Security Grant Program, and Transit Security Grant Program, and consider these results when making future funding decisions for these programs.</p> <p>Once the Federal Emergency Management Agency has completed a national preparedness assessment of capability gaps, Congress may wish to consider limiting the use of federal preparedness grant programs to fund only projects to fill identified, validated, and documented capability gaps that may (or may not) include maintaining existing capabilities developed.</p>   |
|                                   |               | Immigration Inspection Fee (Area 49) | <p>Congress may wish to require the Secretary of Homeland Security to adjust the air passenger immigration inspection fee as needed so that collections are aligned with total inspection costs, if it is determined that total immigration fee collections do not cover total immigration inspection costs.</p> <p>This action is partially addressed. As of March 2017, Congress had not enacted legislation, as GAO suggested in February 2012, to adjust the air passenger immigration fee. However, Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP) have identified the extent to which collections are aligned with total immigration inspection costs. Implementing this action would have increased annual revenues by <b>\$175 million</b> in FY2012, according to GAO analysis.</p> <p>Congress may wish to require the Secretary of Homeland Security to direct ICE and CBP to establish a regular schedule to review and coordinate on the costs of their respective air passenger immigration inspection activities, and revise the proportion of the fee received by each agency accordingly.</p> |
|                                   | 2013          | Checked Baggage Screening (Area 28)  | <p>Congress may wish to consider directing the Transportation Security Administration (TSA) to study, in consultation with relevant industry stakeholders, whether the 90 percent federal cost share that TSA generally applies to cost sharing agreements for eligible airport facility modification projects related to the installation of checked baggage screening systems is appropriate or should be adjusted.</p> <p>Congress may wish to consider whether an amendment to current legislation, or enactment of new legislation, is necessary and warranted if it is determined that a change in the current federal cost share that TSA generally applies to these cost-sharing agreements is appropriate. Implementing the actions in this area could result in savings of <b>\$234 million</b> from 2015 to 2027, according to a TSA estimate.</p>   |
| Income security                   | 2011          | Social Security Offsets (Area 80)    | <p>Congress could consider giving IRS the authority to collect the information that the Social Security Administration (SSA) needs on government pension income to administer the Government Pension Offset and the Windfall Elimination Provision accurately and fairly. Implementing this action could save <b>\$2.4 billion to \$7.9 billion over 10 years</b>, if enforced both retrospectively and prospectively, based on estimates from the Congressional Budget Office and the SSA.</p>   |



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| Mission                | Annual report | Area  | Action summary   |
|------------------------|---------------|---|--|
|                        | 2014          | Disability and Unemployment Benefits (Area 8)                     | Congress should consider passing legislation to require the SSA to offset Disability Insurance benefits for any Unemployment Insurance benefits received in the same period. Implementing this action could save <b>\$1.9 billion</b> between fiscal year 2016 and fiscal year 2025, according to the Congressional Budget Office.   |
|                        |               | Federal Employees Compensation and Unemployment Benefits (Area 9) | To help verify claimants' reported income and help ensure the proper payment of benefits, Congress should consider granting the Department of Labor the additional authority to access wage data.  |
|                        |               | Veterans' and Survivors' Benefits (Area 23)                       | Congress should consider passing legislation that would establish a look-back and penalty period for claimants who transfer assets for less than fair market value prior to applying for pension benefits.<br><br>This action is partially addressed. In the 113th Congress, the House of Representatives passed H.R. 2189, which contained language to establish a 3-year look-back and penalty period for the VA pension program. However, the bill was not ultimately enacted. As of March 1, 2017, there has been no legislative action taken in the current Congress. In January 2015, the Department of Veterans Affairs (VA) proposed regulations establishing a look-back and penalty period for the VA pension program. VA plans to promulgate final regulations in the summer of 2017. Implementing this action could result in savings of about <b>\$4 million annually</b> , according to the Congressional Budget Office. |
| Information technology | 2013          | Dissemination of Technical Research Reports (Area 10)             | Congress may wish to consider examining the appropriateness and viability of the fee-based model under which the National Technical Information Service (NTIS) currently operates for disseminating technical information to determine whether the use of this model should be continued.<br><br>This action is partially addressed. Several bills were introduced during the 114th Congress, including H.R. 443, S. 787, S. 1636, that had the potential to address this action. However, these bills were not ultimately enacted. As of March 1, 2017, there has been no legislative action taken in the current Congress. Additionally, the Department of Commerce Appropriations Act, 2015 and 2016, limited instances where NTIS could charge customers fees for reports. This requirement continues in effect under the Continuing Appropriations Act, 2017.   |
|                        |               | Geospatial Investments (Area 11)                                  | Congress should consider assessing the impact of the disclosure restrictions of Section 9 of Title 13 and Section 412 of Title 39 of the U.S. Code in moving toward a national geospatial address database. If warranted, Congress should consider revising those statutes to authorize the limited release of addresses, without any personally identifiable information, specifically for geospatial purposes. Such a change, if deemed appropriate, could potentially result in significant savings across federal, state, and local governments.<br><br>Implementing the actions in this area could result in savings of <b>millions of dollars</b> .  |

Appendix I: Open Congressional Actions, by Mission

| Mission               | Annual report | Area   | Action summary  |
|-----------------------|---------------|--|---|
|                       | 2014          | Interoperable Radio Communications Systems (Area 10) | <p>Congress should consider requiring the Departments of Homeland Security (DHS), Justice (DOJ), and the Treasury (Treasury) to collaborate on the development and implementation of a joint radio communications solution that specifically requires the departments to establish an effective governance structure that includes a formal process for making decisions and resolving disputes, define and articulate a common outcome for this joint effort, and develop a joint strategy for improving radio communications.</p> <p>This action is partially addressed. Legislation has been enacted that is aimed at improving interoperable communications solely at DHS, but it does not require coordination across DHS, Treasury and DOJ as GAO suggested. Additionally, in the 114th Congress, the House of Representatives passed a bill (H.R. 2206) that would further address this action. However this bill was not ultimately enacted. As of March 1, 2017, there has been no legislative action taken in the current Congress.</p> |
| International affairs | 2011          | Antidumping and Countervailing Duties (Area 81)      | Congress could eliminate the retrospective component of the U.S. antidumping and countervailing duty system and, instead, treat the antidumping and countervailing duties assessed at the time the product enters the country as final.   |
|                       | 2012          | Area 20: Overseas Administrative Services (Area 20)  | Congress may wish to consider requiring agencies to participate in International Cooperative Administrative Support Services (ICASS) unless they provide a business case to show that they can obtain these services outside of ICASS without increasing overall costs to the U.S. government or that their mission cannot be achieved within ICASS.  |
|                       | 2013          | Tobacco Taxes (Area 31)                              | <p>Congress, as it continues oversight of the Children's Health Insurance Program Reauthorization Act (CHIPRA), may wish to consider equalizing tax rates on roll-your-own and pipe tobacco.</p> <p>Congress, as it continues oversight of CHIPRA, may wish to consider, in consultation with the Department of the Treasury, options for reducing tax avoidance due to tax differentials between small and large cigars.</p>   |
|                       | 2016          | Cargo Preference for Food Aid (Area 36)              | While recognizing that cargo preference serves policy goals established by Congress with respect to the U.S. merchant marine, including maintenance of a fleet capable of serving as a naval and military auxiliary in time of war or national emergency, Congress should consider clarifying cargo preference legislation regarding the definition of "geographic area" to ensure that agencies can fully utilize the flexibility Congress granted to them when it lowered the cargo preference for food aid requirement. Implementing this action could result in <b>millions of dollars</b> of savings, according to GAO analysis.   |
| Social services       | 2012          | Housing Assistance (Area 28)                         | Congress may wish to consider requiring USDA and the Department of Housing and Urban Development (HUD) to examine the benefits and costs of merging those programs that serve similar markets and provide similar products. As a first step, Congress could consider requiring USDA and HUD to explore merging their single-family insured lending programs and multifamily portfolio management programs, taking advantage of the best practices of each and ensuring that targeted populations are not adversely affected.  |

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**Appendix I: Open Congressional Actions, by Mission**

| <b>Mission</b>                             | <b>Annual report</b> | <b>Area</b>                              | <b>Action summary</b>  |
|--|----------------------|--|--|
| <b>Training, employment, and education</b> | 2016                 | Post-9/11 GI Bill Overpayments (Area 37) | Congress should consider granting the Department of Veterans Affairs explicit authority to require a minimum level of training for appropriate school officials. |

Source: GAO | GAO-17-562T

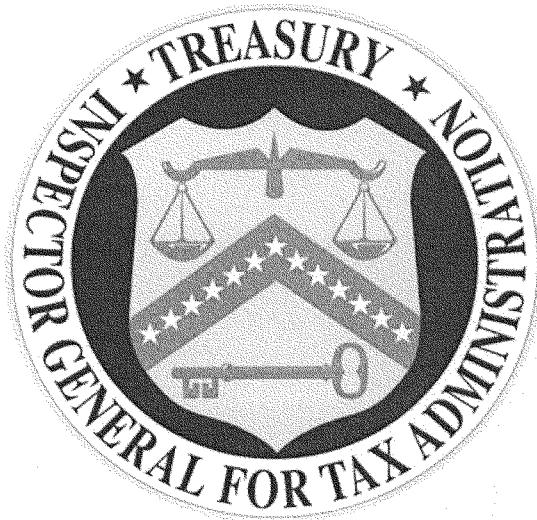
Notes: Unless otherwise indicated, actions in this table are not addressed, meaning that a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. At the beginning of a new congressional session, we reapply the criteria. As a result, the status of an action may move from partially addressed to not addressed if relevant legislation is not reintroduced from the prior Congressional session.

As of March 2017, nine actions are partially addressed. Partially addressed means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed. This table provides information on steps Congress took for actions that are considered partially addressed.

This table provides estimates of cost savings or increased revenue where such information was available.

**HEARING BEFORE THE  
COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATE SENATE**

**“DUPLICATION, WASTE, AND FRAUD IN FEDERAL  
PROGRAMS”**



**Testimony of  
The Honorable J. Russell George  
Treasury Inspector General for Tax Administration**

**April 26, 2017**

**Washington, D.C.**

TESTIMONY  
OF  
THE HONORABLE J. RUSSELL GEORGE  
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION  
*before the*  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

“Duplication, Waste, and Fraud in Federal Programs”  
April 26, 2017

Chairman Johnson, Ranking Member McCaskill, and Members of the Committee, thank you for the opportunity to testify on refundable tax credit improper payments and their adverse effect on tax administration.

The Treasury Inspector General for Tax Administration (TIGTA) was created by Congress in 1998 and is mandated to promote integrity in America's tax system. It provides independent audit and investigative services to improve the economy, efficiency, and effectiveness of Internal Revenue Service (IRS) operations. TIGTA's oversight activities are designed to identify high-risk systemic inefficiencies in IRS operations and to investigate exploited weaknesses in tax administration. TIGTA plays the key role of ensuring that the approximately 83,000 IRS employees<sup>1</sup> who collected more than \$3.3 trillion in tax revenue, processed more than 244 million tax returns, and issued more than \$400 billion in tax refunds during Fiscal Year (FY) 2016,<sup>2</sup> have done so in an effective and efficient manner while minimizing the risks of waste, fraud, and abuse.

TIGTA's Office of Audit reviews all aspects of the Federal tax administration system and provides recommendations to: improve IRS systems and operations; ensure the fair and equitable treatment of taxpayers; and detect and prevent waste, fraud, and abuse in tax administration. The Office of Audit places an emphasis on statutory coverage required by the IRS Restructuring and Reform Act of 1998 (RRA 98)<sup>3</sup> and other laws, as well as on areas of concern raised by Congress, the Secretary of the Treasury, the Commissioner of Internal Revenue, and other key

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<sup>1</sup> Total IRS staffing as of January 7, 2017. Included in the total are approximately 16,200 seasonal and part-time employees.

<sup>2</sup> IRS, *Management's Discussion & Analysis, Fiscal Year 2016*.

<sup>3</sup> Pub. L. No. 105-206, 112 Stat. 685 (1998) (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

stakeholders. The Office of Audit has examined specific high-risk issues such as identity theft, refund fraud, improper payments, information technology, security vulnerabilities, complex modernized computer systems, tax collections and revenue, and waste and abuse in IRS operations.

TIGTA's Office of Investigations protects the integrity of the IRS by investigating allegations of IRS employee misconduct, external threats to IRS employees and facilities, and other attempts to impede or otherwise interfere with the IRS's ability to collect taxes. The Office of Investigations also investigates misconduct by IRS employees which manifests itself in many ways, including extortion, theft, taxpayer abuses, false statements, financial fraud, and identity theft. The Office of Investigations places a high priority on its statutory responsibility to protect all IRS employees located in over 670 facilities nationwide. In the last several years, threats directed at the IRS have remained the second largest component of the Office of Investigation's work. Physical violence, harassment, and intimidation of IRS employees continue to pose challenges to the implementation of a fair and effective system of tax administration. The Office of Investigations is committed to ensuring the safety of IRS employees and the taxpayers who conduct business in IRS facilities.

TIGTA's Office of Inspections and Evaluations provides responsive, timely, and cost-effective inspections and evaluations of challenging areas within the IRS, providing TIGTA with additional flexibility and capability to produce value-added products and services to improve tax administration. The Inspection and Evaluation's work is not a substitute for audits and investigations. In fact, its findings may result in subsequent audits and/or investigations. Inspections are intended to monitor compliance with applicable law, regulation, and/or policy; assess the effectiveness and efficiency of programs and operations; and inquire into allegations of waste, fraud, abuse, and mismanagement. Evaluations, on the other hand, are intended to provide in-depth reviews of specific management issues, policies, or programs.

TIGTA has conducted a number of reviews that evaluate the IRS's efforts to reduce erroneous and improper refundable credit payments. My comments today will highlight our prior and ongoing work.

#### **REFUNDABLE TAX CREDITS**

The IRS administers numerous refundable tax credits. The number of these credits has varied over time because some credits are available for a limited period that is set by law. Refundable credits are designed to help low-income individuals reduce

their tax burden. For example, the Earned Income Tax Credit (EITC), created in 1975,<sup>4</sup> is used to offset the impact of Social Security taxes on low-income families and to encourage them to seek employment. Congress later created the Child Tax Credit (CTC) and the Additional Child Tax Credit (ACTC)<sup>5</sup> to reflect a family's reduced ability to pay taxes as family size increases.

Other refundable credits provide incentives for specific activities, such as obtaining a college education or purchasing health insurance. For example, the American Opportunity Tax Credit (AOTC) allows individuals to receive a credit for higher education expenses up to \$2,500 per student per year, with up to \$1,000 being refundable.<sup>6</sup> More recently, the Patient Protection and Affordable Care Act<sup>7</sup> and the Health Care and Education Reconciliation Act of 2010<sup>8</sup> (collectively referred to as the Affordable Care Act or ACA), includes the Premium Tax Credit (PTC). The PTC is a refundable tax credit to assist individuals and families in purchasing health insurance coverage through an Affordable Insurance Exchange.<sup>9</sup>

Although refundable credits provide benefits to individuals, the unintended consequence of these credits is that they can result in the issuance of improper payments and can be the targets of unscrupulous individuals who file erroneous claims. Refundable credits can result in tax refunds even if no income tax is withheld or paid; that is, the credits can exceed an individual's tax liability. Consequently, they pose a significant risk as an avenue for those seeking to defraud the Government. Whereas, nonrefundable tax credits are limited to the amount of an individual's income tax liability. Refundable credits do not have such a limitation.

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<sup>4</sup> Tax Reduction Act of 1975 § 204, 26 U.S.C § 32.

<sup>5</sup> The ACTC is the refundable portion of the Child Tax Credit. This credit phases out for taxpayers depending upon their income level. Taxpayers with earned income of less than \$3,000 may be eligible for a refundable credit if they have three or more qualifying children and have paid Social Security taxes that exceed their EITC.

<sup>6</sup> IRS Publication 970, *IRS Tax Benefits for Education*.

<sup>7</sup> Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

<sup>8</sup> *Id.*

<sup>9</sup> The Exchange – also known as the Health Insurance Marketplace – is the place for people without health insurance to find information about health insurance options and to purchase health insurance.

## **PROCESS TO ASSESS THE RISK OF REFUNDABLE CREDIT IMPROPER PAYMENTS**

The Office of Management and Budget defines an improper payment as any payment that should not have been made, was made in an incorrect amount, or was made to an ineligible recipient.<sup>10</sup> The Improper Payments Information Act (IPIA) of 2002<sup>11</sup> requires Federal agencies, including the IRS, to estimate the amount of improper payments and report to Congress annually on the causes of, and the steps taken to reduce improper payments. The IPIA also requires agencies to address whether they have the information systems and other infrastructure needed to reduce improper payments. Subsequent amendments to the IPIA of 2002<sup>12</sup> revised the definition of improper payments and strengthened agency reporting requirements. In addition, the Office of Management and Budget issued supplemental improper payment guidance to the Department of the Treasury clarifying that all refundable tax credits are subject to the improper payment requirements. TIGTA is required to review on an annual basis the IRS's compliance with these requirements.

The IRS assesses the risk of refundable credit improper payments by conducting an improper payment risk assessment for each refundable credit. In March 2017, we issued our draft report detailing the result of our assessment<sup>13</sup> of whether the IRS complied with the annual reporting requirements for FY 2016. We found that the IRS provided all required improper payment information to Department of the Treasury for inclusion in the *Department of the Treasury Agency Financial Report Fiscal Year 2016*.

As an alternative to reporting an overall EITC improper payment rate of less than 10 percent, the Department of the Treasury and the Office of Management and Budget collaborated on the development of a series of EITC supplemental measures. These include the percentage of EITC payments that were improper, the amount of revenue prevented or recovered through compliance activities, as well as the amount of revenue protected from Paid Tax Return Preparer treatments and the number of Due Diligence Penalties Proposed. The IRS complied with the reporting on these supplemental measures.

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<sup>10</sup> OMB, Circular A-123 Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, revised Oct. 2014.

<sup>11</sup> Pub. L. No. 107-300, 116 Stat. 2350.

<sup>12</sup> *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204, 124 Stat. 2224; and *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248, 126 Stat. 2390.

<sup>13</sup> TIGTA, Audit No. 201740001, *Compliance with Improper Payment Reporting Compliance in Fiscal Year 2016*, report planned for April 2017.



The Office of Management and Budget has declared the EITC a high-risk program that is subject to reporting in the Treasury Agency Financial Report. To date, the EITC remains the only refundable credit designated as high risk for improper payments. This is despite TIGTA's continued reporting that the refundable credit risk assessments for the ACTC and AOTC substantially understate the risk of improper payments for these credits. It should be noted that in response to prior TIGTA recommendations, the IRS revised its annual risk assessment process for the ACTC and AOTC credits. Using the revised assessment, the IRS concluded that the ACTC and AOTC presented a medium risk of improper payments for FY 2016. However, the medium risk continues to be contrary to the IRS's own compliance data, which shows that both the ACTC and AOTC programs present a high risk of improper payments. (Details on the estimated dollars in improper payments are provided later in my testimony.)

Our review of these revised assessments found that they still do not include the use of available National Research Program (NRP)<sup>14</sup> and IRS compliance data to quantify erroneous payments. Because the IRS does not rate these programs as high risk, it is not required to establish a corrective action plan to reduce the improper payments. It should be noted that the IRS is not required to perform a risk assessment of the EITC because the EITC is designated as a high-risk program by the Office of Management and Budget. For FY 2016, the IRS estimates EITC payments totaling \$16.8 billion were issued improperly.

To further demonstrate that the revised ACTC and AOTC risk assessments do not provide an accurate measure of improper payments, we used the IRS's methodology for these risk assessments to evaluate the EITC improper payment risk. Using the IRS's revised approach, the risk rating of EITC improper payments would be a medium, when clearly the risk is high and is designated as such by the Office of Management and Budget. In addition, for FY 2016 using the same methodology the IRS uses to estimate the amount of EITC improper payments we estimate \$7.2 billion in ACTC payments and \$1.1 billion in estimated AOTC payments were issued improperly. The dollar amounts of the estimated improper payments alone for these two credits meet the Office of Management and Budget definition of a high-risk program.<sup>15</sup> Yet the

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<sup>14</sup> The NRP provides the IRS with compliance information that is statistically representative of the taxpayer population. The IRS uses each tax year's NRP results to update the EITC improper payment rate.

<sup>15</sup> The Office of Management and Budget defines a program as having significant improper payments when improper payments exceed both 1.5 percent of program outlays and \$10 million of all program or

IRS continues to knowingly erroneously classify the risk of these credits by not including a quantitative analysis of existing compliance data similar to the analysis we performed in its annual risk assessment of these credits.

Finally, the assessment of the risk related to PTC improper payments continues to present challenges for the IRS. An agency is usually responsible for complying with the improper payment requirements for payments made from the agency's appropriated funds. The funds used to make PTC payments, including payments of the Advance Premium Tax Credit (APTC),<sup>16</sup> are drawn from the PTC budget fund included in the IRS's budget. However, unlike other refundable credits, the IRS is not solely responsible for administering the PTC. For example, the Department of Health and Human Services Centers for Medicare and Medicaid Services oversees implementation of certain ACA provisions related to the Exchanges. The Exchanges have sole responsibility for determining if an individual is eligible to use the Exchange to purchase health insurance as well as determining the amount of the APTC the individual is eligible to receive. Whereas, the IRS is responsible for determining an individual's total allowable PTC and ensuring that APTC paid to insurers is reconciled to the allowable PTC. Individuals whose APTC is less than their allowable PTC receive the additional credit on their tax return and those who received more APTC than the allowable PTC must repay the excess.

Because the IRS and the Department of Health and Human Services are jointly responsible for the administration of the PTC, improper PTC payments can result from weaknesses in either agency's programs. As a result, the IRS alone cannot effectively assess the risk of PTC improper payments, estimate the improper payment rate and dollar amounts, or establish corrective actions to address the causes of and reduce improper PTC payments on its own.

The Office of Management and Budget established an interagency working group in FY 2015 that included representatives from the IRS, the Department of the Treasury, the Department of Health and Human Services, and the Centers for Medicare and Medicaid Services. The group was established as a collaborative effort to develop a methodology to assess the improper payment risk across all payments made from the PTC budget fund account. The *Interagency PTC Improper Payment Working Group* worked with an outside vendor to complete a comprehensive risk assessment for the PTC for use in FY 2016. Using this assessment, the IRS determined that the PTC has

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activity payments made during the fiscal year reported or exceed \$100 million at any percent of program outlays.

<sup>16</sup> An APTC is paid in advance to a taxpayer's insurance company to help cover the cost of premiums.

a medium risk of improper payments. We will continue to review and report on IRS efforts to address the challenges in measuring PTC improper payments.

#### **LEGISLATION TO REDUCE FRAUDULENT AND IMPROPER REFUNDABLE CREDIT PAYMENTS**

Congress enacted the Protecting Americans from Tax Hikes (PATH) Act<sup>17</sup> on December 18, 2015, which includes “program integrity provisions” intended to reduce fraudulent and improper EITC, CTC, ACTC, and AOTC payments. For example, one of the PATH Act’s provisions is intended to ensure that the IRS has the information and time needed to verify the income of individuals claiming the EITC and ACTC before the related refund is issued. According to the House Committee on Ways and Means, these integrity provisions are projected to save roughly \$7 billion over 10 years by reducing fraud, abuse, and improper payments in refundable credit programs.

TIGTA has multiple ongoing reviews<sup>18</sup> to evaluate IRS actions to implement key provisions of the PATH Act. To date, our work has found that the IRS has withheld refunds as required for returns with an EITC or ACTC claim and released those returns that were not identified for additional review. IRS management informed us that all EITC and ACTC claims are being verified against Forms W-2, *Wage and Tax Statement*, data to identify claims that have unsupported income. Those that are identified as potentially fraudulent will be addressed as part of the IRS’s fraud prevention programs. The remaining returns with an income discrepancy will be addressed as part of the IRS’s overall Questionable Refund Program.<sup>19</sup> In September 2014, TIGTA identified 677,000 Tax Year (TY)<sup>20</sup> 2012 tax returns for which third-party Forms W-2 were not sent to the IRS by the employer for either the taxpayer and/or the spouse listed on the tax return. These tax returns claimed EITCs totaling more than \$1.7 billion.<sup>21</sup>

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<sup>17</sup> Consolidated Appropriations Act of 2016, Pub. L. No. 114-113, Div. Q (2015).

<sup>18</sup> TIGTA, Audit No. 201640031, *Implementation of Refundable Credit Integrity Provisions*, report planned for May 2017; TIGTA, Audit NO. 201640023, *Individual Taxpayer Identification Number Deactivation Process*, report planned for Aug. 2017; TIGTA, Audit No. 201740005, 2017 Filing Season, report planned for Sept. 2017; TIGTA, Audit No. 201740031, *Implementation of Refundable Credit Integrity Provisions Phase 2*, report planned for Oct. 2017.

<sup>19</sup> The Questionable Refund Program is a nationwide multifunctional program designed to identify fraudulent returns, to stop the payment of fraudulent refunds, and to refer identified fraudulent refund schemes to IRS Criminal Investigation field offices.

<sup>20</sup> A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

<sup>21</sup> TIGTA, Ref. No. 2014-40-093, *Existing Compliance Processes Will Not Reduce the Billions of Dollars in Improper Earned Income Tax Credit and Additional Child Tax Credit Payments* (Sept. 2014).

However, IRS management indicated that for the 2017 Filing Season<sup>22</sup> they do not plan to use Forms 1099-MISC, *Miscellaneous Income*, to systemically verify income reported on tax returns with EITC or ACTC claims. Management cited a number of challenges that need to be addressed to use this information to verify income reported at the time tax returns are identified. We will continue to review and report on the IRS's efforts to implement processes to use Forms 1099-MISC to verify income reported on returns claiming refundable credits.

In addition, although the majority of the PATH Act provisions were effective January 1, 2016, and affect the processing of (TY) 2016 returns, one provision was effective December 18, 2015. This provision prevents taxpayers from filing an original or amended tax return for prior years (referred to as retroactive claims) to claim the EITC, CTC, ACTC, and AOTC when the Taxpayer Identification Number (TIN)<sup>23</sup> used to claim the credit was not issued prior to the due date of the tax return. Our review of (TY) 2014 tax returns filed and processed during the 2016 Filing Season as of May 26, 2016, identified more than \$34.8 million in CTCs, ACTCs, EITCs, and AOTCs claims that were paid to 15,744 taxpayers filing tax returns for years prior to when their TINs were issued. Each of the refundable credit claims associated with the returns we identified should have been disallowed by the IRS but were not.

Management indicated that although the above provision was effective in December 2015, the IRS was unable to implement processes to identify erroneous claims for the 2016 Filing Season. For example, the IRS did not have the issuance dates associated with a Social Security Number (SSN) and Individual Taxpayer Identification Number (ITIN).<sup>24</sup> Consequently, the IRS needed to coordinate with the Social Security Administration to obtain the SSN issuance date and develop a methodology to identify the ITIN issuance date. Management further explained that, even if the IRS had the issuance dates, the modifications to its computer systems necessary to identify claims filed for the 2016 Filing Season would have been impossible to implement because the provision was enacted only 32 days prior to the start of the filing season.

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<sup>22</sup> The period from January through mid-April when most individual income tax returns are filed.

<sup>23</sup> A nine-digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, the TIN is either an Employer Identification Number, a Social Security Number, or an Individual TIN.

<sup>24</sup> The IRS created the ITIN to provide Taxpayer Identification Numbers, when needed for tax purposes, to individuals who do not have and are not eligible to obtain an SSN.

Finally, although the PATH Act gives the IRS more time to verify EITC and ACTC claims before refunds are issued, it does not expand the IRS's authority to systemically correct erroneous claims. The IRS, in conjunction with the Assistant Secretary of the Treasury for Tax Policy, has in each year since FY 2013 set forth a legislative proposal requesting additional error authority (hereafter referred to as correctable error authority) as part of its annual budget submission. The requested authority includes allowing the IRS to correct, during processing, tax returns when the information provided by the taxpayer does not match the information contained in Government databases (e.g., income information reported on the tax return does not match Forms W-2 from the Social Security Administration).

In September 2014, we reported<sup>25</sup> that because the IRS's compliance resources are limited; the IRS does not address the majority of potentially erroneous EITC claims it identifies. Currently, under the Internal Revenue Code, the IRS can use its math error authority to address erroneous EITC claims by systemically correcting mathematical or clerical errors on such claims. For example, it can correct entries made on the wrong line on the tax return or mathematical errors made in computing income or the EITC. However, the majority of potentially erroneous EITC claims that the IRS identifies do not contain the types of errors for which it has math error authority. To address those potentially erroneous EITC claims identified that cannot be addressed using math error authority the IRS must conduct an audit. The IRS estimated that it costs \$1.50 to resolve an erroneous EITC claim using math error authority compared to \$278 to conduct a pre-refund audit.<sup>26</sup>

Without correctable error authority, billions of dollars in identified potentially erroneous claims will continue to go unaddressed each year. It should be noted that the IRS has established processes and procedures that allow taxpayers to question the validity of IRS adjustments to their tax return. In July 2011, we reported that these procedures included sending a notice to taxpayers that shows the adjustments made to their tax returns.<sup>27</sup> The notice also provides both a telephone number and mailing address for the taxpayer to contact the IRS should he or she question adjustments made to their tax return. Taxpayers who question the adjustments are given 60 calendar days from the date of the notice to respond to the IRS and dispute the

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<sup>25</sup> TIGTA, Ref. No. 2014-40-093, *Existing Compliance Processes Will Not Reduce the Billions of Dollars in Improper Earned Income Tax Credit and Additional Child Tax Credit Payments* (Sept. 2014).

<sup>26</sup> Cost to use math error authority as of June 25, 2014, as provided by the IRS. The IRS provided the cost of a pre-refund audit based on Fiscal Year 2010 financial data, which is the most current estimate available.

<sup>27</sup> TIGTA, Ref. No. 2011-40-059, *Some Taxpayer Responses to Math Error Adjustments Were Not Worked Timely and Accurately* (July 2011).

adjustments. During this 60-day period, the IRS will place a freeze on the taxpayer's account to prevent the issuance of the portion of the refund associated with the error(s) identified or prevent the initiation of collection action resulting from any balance due.

#### **EFFORTS TO IDENTIFY AND REDUCE IMPROPER PAYMENTS**

The EITC, ACTC and AOTC are the three largest refundable credits the IRS administers and collectively accounted for more than \$100 billion in credits claimed during TY 2015. The table below shows the amount of EITC, ACTC, and AOTC claimed by taxpayers during TY 2015.<sup>28</sup>

| Refundable Credit | Tax Returns  | Amount of Credit Claimed |
|-------------------|--------------|--------------------------|
| EITC              | 27.5 million | \$67.5 billion           |
| ACTC              | 19.2 million | \$26.0 billion           |
| AOTC              | 9.6 million  | \$8.5 billion            |
| Total             | 56.3 million | \$102.0 billion          |

The following highlights some of our work relating to these refundable credits.

**Earned Income Tax Credit** – For FY 2016, the IRS estimates that more than 24 percent of EITC payments, totaling \$16.8 billion, were issued improperly.

In September 2014,<sup>29</sup> we reported that the IRS has developed a strategy to reduce EITC improper payments. This strategy focuses on early intervention to ensure that individuals who claim the credit are in compliance with the EITC rules. The strategy includes education and outreach, enforcement actions, a paid tax return preparer compliance initiative, and legislative proposals. The IRS also performed compliance studies which found that EITC improper payments primarily result from two root causes – authentication and program design.

Authentication errors include errors associated with the lack of available data to which the IRS can verify self-employment income, authenticate qualifying children, and verify filing status. Verification errors relate to the IRS's inability to identify

<sup>28</sup> Source is TIGTA's analysis of the IRS Individual Return Transaction File for Tax Year 2015. Individuals may have claimed more than one of the credits shown on a tax return.

<sup>29</sup> TIGTA, Ref. No. 2014-40-093, *Existing Compliance Processes Will Not Reduce the Billions of Dollars in Improper Earned Income Tax Credit and Additional Child Tax Credit Payments* (Sept. 2014).

underreporting and overreporting of third-party reported income, such as wages and errors that arise when more than one individual can claim a qualifying child. For FY 2016, the IRS estimated that 6 percent, or \$1 billion, of improper EITC payments resulted from verification errors with the remaining 94 percent of improper EITC payments, or \$15.8 billion, resulting from authentication errors.

As previously noted, we have an ongoing review to assess the IRS's use of accelerated filing of income and withholding documents to identify erroneous claims. In addition, we are also conducting a review to assess the IRS's Return Preparer Outreach Strategy processes to identify and address return preparers filing returns with erroneous refundable credit claims.

**Additional Child Tax Credit** – Using IRS's compliance data, we estimate that the IRS potentially issued \$7.2 billion in ACTC improper payments during FY 2016.

In March 2009, we reported a significant increase in ACTC claims by filers who were ineligible to obtain a Social Security Number.<sup>30</sup> These individuals are not authorized to work in the United States and filed tax returns using an ITIN. For example, our updated analysis in response to a Congressional request<sup>31</sup> identified that the amount of ACTC paid to these filers has grown substantially from \$62 million in Processing Year 2001 to more than \$3.4 billion in Processing Year 2015. It should be noted that ITIN filers are not eligible to claim the EITC but can claim the ACTC.

In addition, in July 2011, we reported that a significant number of ITIN filers submitted multiple returns with ACTC claims for prior year tax returns (*e.g.*, filing TYs 2007, 2008, and 2009 returns at the same time). For example, in Processing Year 2010, approximately 238,000 ITIN filers submitted more than 608,000 tax returns for multiple years at the same time and claimed just more than a \$1 billion in ACTCs on those returns. The PATH Act contains a provision that excludes retroactive claims and, as previously indicated, we have an ongoing review to assess the IRS's processes to identify and disallow these claims.

**American Opportunity Tax Credit** – Using IRS's compliance data, we estimate that the IRS potentially issued \$1.1 billion in AOTC improper payments during FY 2016.

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<sup>30</sup> TIGTA, Ref. No. 2009-40-057, *Actions Are Needed to Ensure Proper Use of Individual Taxpayer Identification Numbers and to Verify or Limit Refundable Credit Claims* (March 2009).

<sup>31</sup> This analysis was conducted in response to an inquiry from the Legislative Director for the Chairman of the House Committee on Oversight and Government Reform, Subcommittee on Government Relations.

In March 2015, we reported that although the IRS has taken steps to address some of our prior recommendations, processes still do not effectively identify taxpayers who claim erroneous education credits.<sup>32</sup> As a result, we estimated that in (TY) 2012 more than 3.6 million taxpayers received more than \$5.6 billion in erroneous education credits (\$2.5 billion in refundable credits and \$3.1 billion in nonrefundable credits). These 3.6 million taxpayers claimed credits but did not meet eligibility requirements and included taxpayers who erroneously claimed students for whom no Form 1098-T, *Tuition Statement*, was received by the IRS to substantiate that the students attended an eligible educational institution,<sup>33</sup> or claimed students who attended ineligible institutions<sup>34</sup> or who attended less than half time.

In response to our concerns, the IRS, in coordination with the Assistant Secretary of the Treasury for Tax Policy, submitted legislative proposals to establish the filing date for information returns (including the Form 1098-T) as January 31. This would enable IRS to verify claims at the time tax returns are processed. As of April 2017, such legislation has not been enacted.

Included in the \$5.6 billion erroneous education credit claims we identified are claims totaling an estimated \$494 million whereby the taxpayers erroneously claimed the AOTC for the same students for more than four years. Requirements state that the allowable four-year period for which taxpayers can claim the AOTC for any one student includes any previous claims for the Hope Credit and applies to any four tax years; the tax years do not need to be consecutive. Therefore, if a student was claimed for the AOTC or Hope Credit in any four prior tax years, the student cannot be used by any taxpayer to claim the credit a fifth time. It should be noted that the request for correctable error authority would permit the IRS to correct errors in cases in which the taxpayer has exceeded the lifetime limit for claiming a deduction or credit. As such this authority could be used to address AOTC claims for which taxpayers erroneously claim the credit for the same students for more than four years.

Finally, paid tax return preparers continue to prepare a significant number of returns with questionable education credit claims. More than 1.7 million (49 percent) of

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<sup>32</sup> TIGTA, Ref. No. 2015-40-027, *Billions of Dollars in Potentially Erroneous Education Credits Continue to be Claimed for Ineligible Students and Institutions* (Mar. 2015).

<sup>33</sup> Institutions of higher education are required to provide each student with a Form 1098-T and file a duplicate copy with the IRS. The Form 1098-T is to report payments received for qualified tuition and related expenses, scholarships and grants given, adjustments made for a prior year, and the name and location of the institution.

<sup>34</sup> An eligible institution is any domestic or foreign postsecondary educational institution or training program that is certified to receive Federal student aid funding from the U.S. Department of Education.



the 3.6 million tax returns we identified were prepared by tax return preparers. The potentially erroneous claims totaled more than \$2.7 billion. This is similar to the percentage we have reported previously.<sup>35</sup> In response, the IRS developed a comprehensive enforcement strategy to increase tax return preparer compliance. In addition, the IRS stated that, prior to the start of the 2014 Filing Season, it sent educational letters to approximately 1,000 tax return preparers to alert them that they had filed AOTC claims that appeared to be erroneous. The letters reminded them of their responsibilities as tax return preparers and directed them to additional information. The IRS indicated that these tax return preparers' filing patterns and compliance with future AOTC claims will be tracked to determine if compliance has improved.

We are conducting a follow-up analysis of the IRS's efforts to identify AOTC claims filed for more than four years and will include the results of our assessment in our 2017 Filing Season report, which will be issued later this calendar year. In addition, later this calendar year, we will be initiating a follow-up review to evaluate IRS efforts to identify questionable AOTC claims.

In summary, the IRS issued an estimated \$25 billion in potentially improper EITC, ACTC, and AOTC payments in FY 2016. This represents a significance loss to both the Federal Government and taxpayers. We at TIGTA take seriously our mandate to provide independent oversight of the IRS in its administration of our Nation's tax system. As such, we plan to provide continuing review of the IRS's efforts to identify and reduce improper refundable tax credit payments.

Chairman Johnson, Ranking Member McCaskill, and Members of the Committee, thank you for the opportunity to share my views.

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<sup>35</sup> TIGTA, Ref. No. 2011-41-083, Billions of Dollars in Education Credits Appear to Be Erroneous (Sept. 2011).

**Statement for the Record**

**Chancellor Rebecca M. Blank  
University of Wisconsin—Madison**

**Before the U.S. Senate Committee on Homeland Security and  
Governmental Affairs**

**Hearing on: “Duplication, Waste, and Fraud in Federal Programs”**

**April 26, 2017  
10:00 a.m.**

Chairman Johnson, Ranking Member McCaskill, and members of the Committee, thank you for inviting me to discuss regulatory requirements and their effect on scientific research at our nation’s major research universities including the University of Wisconsin in Madison, where I serve as Chancellor.

I was a practicing economist prior to becoming a university chancellor and I believe deeply that we must do everything we can to help research universities thrive. By providing both the skilled workforce and the innovative new scientific and technological ideas that will assure a strong and growing American economy, America’s universities hold the key to our nation’s prosperity.

The American people invest billions of dollars a year in scientific research at universities like UW, and we take very seriously our responsibility to be good stewards of that investment. That means not only complying with federal regulations, but also flagging unnecessary, ineffective, and duplicative administrative requirements that diminish our productivity.

Research universities are some of the most regulated entities in our economy. At UW, we have to meet regulations from at least 35 Federal agencies and Federal regulatory requirements have increased steadily over the past two decades. These regulations are

often a response to valid concerns, and many of them may be important to assure that we do our work as effectively and transparently as possible. But some of them have become overly burdensome.

I want to share a few of my observations with you this morning, and talk about how we can ensure safety and accountability while reducing costly administrative requirements that are burying our scientists in paperwork.

**Recent legislation is a big step forward – but more can be done**

The 21<sup>st</sup> Century Cures Act and the American Innovation and Competitiveness Act are big steps in the right direction. I want to thank the members of this committee for supporting these bills.

But there is still more that can be done, as the GAO notes in its report.

Like nearly every public university in this nation, UW-Madison is facing severe financial pressures. If we're going to continue to educate 43,000 students a year, run a more-than-billion-dollar research enterprise, and produce innovations that drive the economy, we cannot continue to waste precious resources on duplicative, unnecessary paperwork.

Let me add that this is a burden not only on major research institutions, but also on smaller colleges that do research.

Many of them, including the four-year colleges within the UW System, are having great success building small research enterprises that are driving the regional economy, but they don't have the financial ability to spend millions of dollars a year and hire dozens of people to work on compliance.

Excessive regulation can put these smaller schools out of the research business.

My message today is very clear:

**We have spent many years adding layer upon layer of federal regulations, and we're at a point where this is seriously impeding the productivity of our scientists**

There are as many as 23 different pre-and post-award administrative responsibilities associated with federal research grants. Each of these steps requires time from either the researcher or from support staff.

Ten years ago we had 50 full-time staff handling regulatory compliance on human and animal research projects. Today we have nearly 80, and we're hiring more. I cannot think of another function on campus that has added 30 full-time positions in the last decade. In fact, the staff in many of our offices has been reduced as we've dealt with budget cuts and worked to become more efficient.

Let me tell you a story.

*There are 340,000 sports-related concussions each year in U.S. high schools. This is a major public health problem. One of our investigators wanted to send a survey to student athletes and athletic trainers in about 50 high schools around Wisconsin to improve our understanding of how often concussions are reported, factors influencing how they are managed, and how they affect quality of life in high school athletes.*

*This survey study triggered a raft of regulations under the Common Rule, additional Common Rule subparts related to participation of children, HIPAA Privacy Rule, HIPAA Security Rule, and FERPA.*

*Ultimately, the investigator had to enter into formal agreements with every one of the athletic trainers and jump through additional hoops for each local school district.*

*This imposed major delays and additional costs, and certainly didn't improve anyone's safety. If anything, the regulations made it harder for us to understand and address a major public health issue.*

**Much of this administrative burden falls directly on teachers and researchers, taking valuable time away from the classroom and the lab**

The latest Federal Demonstration Partnership survey reveals that, nationwide, scientists with federal funding spend up to 42 percent of their time – or about four hours in a nine-hour day – on regulatory and administrative activities. Over the course of one year at UW-Madison, that's about two million hours our 2,200 faculty are spending on paperwork.

Imagine the discovery and innovation and teaching that could happen in two million hours!

In research involving human subjects, the preparation of compliance materials has become a science unto itself – in fact, it's spawned an entirely new job: Regulatory Specialist. These are people employed by individual research teams for the sole purpose of handling massive quantities of paperwork.

Scientists who cannot afford a Regulatory Specialist either cancel their research project or take on very high administrative burdens themselves.

We recently surveyed our scientists who do research involving human subjects. Nearly half (48.5 percent) told us that in recent years they had given up, or almost given up, pursuing at least one research study because of the red tape.

We can't afford to sideline potentially life-saving research.

And we *know* the system can work better, because we've seen it work better. Just consider the battle against the Zika virus:

*Zika is a mosquito-borne illness that causes devastating birth defects. It has created an international public health emergency, and scientists at UW-Madison are leading the fight to control Zika. Several of them are posting their data publicly online in real time to quickly give others working to control the disease the best possible information.*

*Because of the threat to public health, their initial proposal was given high priority and approved by the UW Institutional Animal Care and Use Committee (IACUC) and biosafety committees about a month after the researchers submitted their materials for approval.*

*This was at a time when South America was seeing 20,000 new Zika infections every week, so even a one-month delay came at a significant cost, but this expedited process demonstrates what is possible with good communication and a common-sense approach.*

#### **What Can Be Done?**

Let me turn to some specific recommendations for change.

#### **First, key provisions of recently adopted legislation should be prioritized for implementation**

The 21<sup>st</sup> Century Cures Act and the American Innovation and Competitiveness Act (AICA) take important steps towards reducing some of these administrative burdens, and there are two provisions in particular that should be top priorities.

- (1) OMB should immediately stand up the new Research Policy Board** required by the 21<sup>st</sup> Century Cures Act. This board will give us a new way to work with federal agencies to coordinate and improve regulation, spot gaps in the system, and assess and minimize the regulatory burden.
- (2) Current grant application and reporting requirements should be streamlined and simplified** as soon as possible, as required by the AICA. The

GAO report notes that Federal agencies have made efforts along these lines, but have not fully addressed variation in the requirements, which limits the effectiveness of the changes.

Right now nearly every agency has different formats for submitting a research proposal, reporting on research progress, and demonstrating compliance with regulations. And agencies have different requirements for how results should be saved and made publicly available.

But there have been important steps, as the GAO points out, toward standardizing some post-award requirements, such as financial reporting.

Possible additional changes include:

- Streamlining pre-award requirements
- Standardizing grant formats across agencies
- Eliminating duplicative reporting, and
- Implementing a unified federal system for report submission

Implementing and enforcing these changes – already part of the AICA – can have a transformative effect, which is why the Association of American Universities (AAU, the top 62 public and private research institutions in the U.S. and Canada), along with the Association of Public and Land Grant Universities (APLU) and the Council on Governmental Relations (COGR) are all asking that this be prioritized.

**Second, the Final Rule should come with training and guidance to ensure proper interpretation and application**

The recently adopted Final Rule, scheduled to take effect January 2018, modernizes the Common Rule (last updated in 1991) governing human subjects in research. It covers research supported by 16 Federal departments and agencies, and the National Science Foundation.

One important goal of the Final Rule is to reduce the regulatory burden on research that poses little or no risk to participants – for example, studies that involve simple observation.

Right now, Institutional Review Board committees, which review and approve research involving human subjects, apply the same federal regulations designed for high-risk studies, to these low-risk studies.

The Final Rule adds important exemptions and expedited review categories, but without better training for grant compliance officers and guidance to Institutional Review Boards to address differences in how these regulations are interpreted and applied, problems will persist.

Let me give you an example of the problems caused by dueling interpretations of the rules:

*One of our pediatricians wants to create a registry to track health information from children across the state who have a very serious condition that can cause heart attacks at an early age.*

*Registries like these are critically important to good patient care because they give health-care professionals vital information on, for example, which treatments work and which don't. Among other things, that's the kind of information that helps keep health-care costs down.*

*We are now six months into this process, and full approvals still have not been granted because there are multiple sites providing information to the registry, and each interprets the regulations a little differently.*

*No one is arguing that this project should not comply with all applicable regulations. But this lengthy and expensive process is doing nothing to make these children safer. In fact, as with the concussion survey, the delays can have a negative impact.*



We will be very happy to see the Final Rule go into effect, and hope to see an expansion of the kinds of low-risk research that can qualify for a reduced level of regulation.

**Third, excessive audits should be reduced**

Our research administrators work in a world of constant audits by Inspectors General. These are in addition to the on-going annual “A-133” audits that attest to our having systems and procedures in place to provide proper stewardship of federal funds.

These broad audits by Inspectors General from multiple Federal agencies are conducted frequently, and they’re usually duplicative and unnecessary. In recent audits of research universities around the country, OIG questioned about \$720 million in expenditures. Following review, only \$580,000 of that was sustained. In other words, less than 0.1 percent.

These excessive audits are precisely what the Single Audit was designed to eliminate. They create an enormous and costly administrative burden. One recent audit took 4,500 hours of staff time. And their public release, often with allegations that are not ultimately sustained, threatens our institutional credibility.

Time and money would be better spent on audits where there is due cause to believe that there’s a genuine risk of fraud, waste, and abuse.

We strongly support the call from both AAU and COGR to reduce this overreach by the Inspectors General.

I have been talking about regulations that relate to research, but let me also mention some of the other regulations that we deal with, which govern student affairs.

**Regulations designed to protect students are enforced in ways that are confusing and contradictory, and may not serve the law’s intent**

Let me give you three examples.

**1. The Clery Act**

The Clery Act, which we fully support, was designed to improve campus safety by sharing information with parents and students about crimes committed both on campus and non-campus property.

But we now have multiple agencies collecting multiple data and categorizing it in multiple ways. And the result – as the GAO report points out – is a system that at times is hindering, rather than helping, our understanding of campus crime.

Here's an example: the Department of Education has interpreted "non-campus property" to mean anyplace any student spends more than one night as part of a university event.

If a group of students goes on a research trip with a professor, or participates in an athletic event, we have to reach out to local law enforcement and gather crime statistics on the hotel where they're staying.

You can imagine that we spend hundreds of hours tracking information on properties all over the world. That's time that could be spent on actual crime prevention. But the worst part is, the information we gather is misleading because all non-campus properties are lumped together. So, many of the crimes we have to report occurred nowhere near our institution and have no bearing on campus safety.

We recommend that the Department of Education's interpretation of "non-campus" property be re-evaluated so that we're providing useful crime statistics to families and students, and reducing what has become a major administrative burden.

We also support the GAO's recommendation for an interagency forum to discuss the range of data collection efforts and determine if they are all necessary.

## **2. Title IX enforcement**

We strongly support Title IX. It's been an extraordinarily valuable tool to address long-standing issues of discrimination.

Here's the problem. Because federal research grants are linked to Title IX compliance, every agency that provides funding must separately ensure that we're complying.

In the current academic year, we've been asked to respond to inquiries about our Title IX compliance by the Department of Education, the Nuclear Regulatory Commission, the U.S. Department of Agriculture, and NASA. Each group asks for different types of reports. Given the varied nature of the research activities taking place at UW-Madison, there is a long line of other Federal agencies that could, at any time, require us to demonstrate our Title IX compliance.

We recommend consolidating Title IX enforcement within a single agency, which will not only ease this substantial administrative burden, but also help to ensure more uniform interpretation and enforcement of the law.

## **3. Return to Title IV (R2T4) regulations**

One of the most administratively burdensome regulations related to students is the Return to Title IV calculation, commonly known as R2T4. This governs how we handle federal student aid when the student withdraws from school.

This is consistently one of the top three most-cited weaknesses in the annual OMB A-133 audits and for good reason - it's complex, confusing and duplicative.

The Federal Student Aid Handbook dedicates a full 213 pages of instructions and guidance to this single regulation. Unfortunately, those 213 pages don't clarify a whole lot.

By comparison, guidance on the Federal Pell Grant and calculation of the Afghanistan Service Grant cover just 38 pages.

We recommend that the Department of Education simply use the information already reported to calculate how much the student owes, and notify students and institutions. This would ease a substantial administrative burden, reduce audit issues, and better ensure accurate calculations.

**Not all regulation is wasteful and unnecessary**

Let me be clear that I am not arguing that we should do away with all regulations governing students or research.

A number of them are important for the safety and well-being of the more than 20 million students at colleges and universities across this nation.

Similarly, we don't seek to return to the days when research was conducted with no rules. That's dangerous. We need only think of the Tuskegee Syphilis Study to be reminded of the need for effective regulation.

Federal research grants come with many strings for a number of good reasons:

- To guard against improper spending of taxpayer dollars.
- To help to ensure research integrity.
- To increase access to research data and results.
- And most important of all, to help protect humans and animals involved in research.

We must operate from a shared set of ethical principles that guide scientific research. But the way in which these principles are translated into regulations by various federal agencies has created a system of unnecessary delays and expenses.

### **Conclusion**

Our system of higher education is the envy of the world. Nineteen of the world's top 25 universities – including UW-Madison – are in the U.S.

No nation on earth has been as successful as the United States at building remarkable institutions that offer an outstanding education and conduct the kind of basic research that fuels innovation and helps to solve immediate problems in the real world.

That's why the rest of the world sends their best and brightest students to be educated in the United States.

But international preeminence doesn't come with a longterm guarantee. If you doubt that, just try to remember the last time you flew Eastern Airlines, drove an American Motors car, or turned on a Zenith TV.

American research universities are a major reason why this country has been able to lead the world economy. Excess regulation of these institutions can only erode their success.

I thank you for your commitment to bringing this unwieldy system under control, and I urge you to continue to look for ways to cut unnecessary strings and maintain necessary safeguards. In that way, you will position great research institutions like the University of Wisconsin to thrive, allowing us to continue to conduct research that leads to big discoveries and keeps this nation on the cutting edge of innovation.

Thank you.

**STATEMENT OF  
KEITH D. REPKO  
MEDICAL CENTER DIRECTOR, ST. LOUIS HEALTH CARE SYSTEM  
VETERANS HEALTH ADMINISTRATION (VHA)  
DEPARTMENT OF VETERANS AFFAIRS (VA)  
BEFORE THE  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
APRIL 26, 2017**

Good morning, Chairman Johnson, Ranking Member McCaskill, and Members of the Committee. Thank you for the opportunity to participate in this hearing and to discuss the design and construction projects at the Jefferson Barracks and John Cochran campuses of the VA St. Louis Health Care System (St. Louis HCS).

Our mission is to honor American's Veterans by providing exceptional health care that improves their health and well-being. The St. Louis HCS is a dual affiliated, full-service health care facility providing inpatient and outpatient care in medicine, surgery, psychiatry, neurology, and rehabilitation, and many other subspecialty areas. It is a two-division facility that serves Veterans and their families in east central Missouri and southwestern Illinois. The John Cochran Division, named after the late Missouri congressman, is located in midtown St. Louis and comprises the medical center's operative surgical capabilities, the ambulatory care unit, intensive care units, outpatient specialty clinics, and emergency department.

**Improving Access**

One of the top priorities for the Department has been improving access to care and the St. Louis HCS has taken that to heart. While more work remains to be done, both the VA and the St. Louis HCS has made real progress. During Fiscal Year (FY) 2016, St. Louis HCS hired 385 staff, including 36 Physicians, four Physician Assistants, 93 Nurses, and 252 other critical occupations. VA St Louis currently has a 9% vacancy

rate. In order to leverage limited space and enhance convenience for Veterans, we have extended clinic hours at five locations and hold Saturday clinics at two locations. Additionally, we have increased the delivery of care by telephone and secure messaging to better use provider time, improve access, and meet Veteran care needs without their traveling for a scheduled appointment.

#### **VA's Real Property Portfolio**

Before I talk specifically about the facilities in St. Louis, it is important to mention the state of VA's Capital Portfolio overall, and Department's capital investment planning process. VA currently owns 6,227 buildings; 35,193 acres; and over 153 million square feet (SF). VA also has 1,951 leases with over 23 million SF. A building design life is 40 years; however, the average age of VA's facilities is 57 years old. Approximately 40% of VA's buildings are considered historic. Due to the age of facilities and changes in healthcare requirements, many of these buildings are inadequate for modern healthcare and should be replaced. Some of VA's medical facilities also have significant critical safety and seismic issues that remain to be addressed. The 2017 VA Long Range Capital Plan showed that VA had a construction requirement of between \$41 and \$50 billion. The 2017 VA capital programs funding request in the FY 2017 President's Budget was \$1.9 billion for major and minor construction and non-recurring maintenance (NRM) programs.

|              |                  |
|--------------|------------------|
| Major        | 528,110          |
| Minor        | 372,069          |
| NRM          | 1,057,473        |
| <b>Total</b> | <b>1,957,652</b> |

The Department prioritizes its capital investments each year, through the Strategic Capital Investment Planning (SCIP) process. Only the highest priority projects are included in the budget request. Projects not included in the budget request must re-compete the following year.

#### **Jefferson Barracks Division Major Construction Project**

The Jefferson Barracks Division is a multi-building complex overlooking the Mississippi River in south St. Louis County. It provides psychiatric treatment, spinal cord injury treatment, a nursing home care unit, geriatric health care, rehabilitation services, and a rehabilitation domiciliary program for homeless Veterans. VA is currently pursuing a major construction project that will further enable us to better serve Veterans' health care needs for decades to come. The Jefferson Barracks Division project is one of the major construction projects that is currently on VA's Active development list. The active development list consists of 21 major construction projects that the Department is actively working on and planning to request funds in a future budget.

Our Jefferson Barracks Major Project is a joint VHA and NCA venture and will construct a total of five new buildings. The project will relocate primary care, mental health and specialty care out of its current 1920's building into a modern environment and allow for the needed expansion of services. It will construct a new patient aquatic and rehab therapy building, to replace the existing facilities which have to frequently shut down during the hottest days of the summer due to the lack of adequate air conditioning. The project also replaces the existing central boiler/chiller plant and underground utilities -- some dating back to the 1920s -- that are failing and causing negative impacts on campus operations. In 2010, the campus suffered a total loss of all



power approximately nine days. Just prior to that, the campus lost air conditioning during the heat of the summer, causing relocation of patients to other campuses. Lastly, the project will replace an obsolete campus fire alarm system, will construct a new support building, will provide 800 net new patient parking spaces, and will construct facilities to relocate engineering shops and a consolidated warehouse.

Upon completion, the total project will decrease the amount of infrastructure maintained and operated by VHA through demolition of energy inefficient and underutilized buildings. It will also provide approximately 30 acres to the NCA for expansion of the Jefferson Barracks National Cemetery. Without this additional land, the cemetery would be closed to burials within several years. The total project cost is \$366.5 million, which was approved as a VA major project in 2004. The project was partially funded in 2007, was designed in 2008, started construction in 2010 and is scheduled to be completed in 2020. This project is 52% complete with no cost over runs.

Since this project was first conceived, scoped, and preliminarily designed, our method of delivering Primary Care has changed significantly. VA's current model of utilizing Patient Care Aligned Teams (PACTs) were not in place in 2004. This organizational arrangement, whereby a provider, a nurse, a licensed practical nurse, and a clerk all cohesively work together as a team to manage a panel of Veterans, utilizes space in a much different way than the previous Primary Care model that existed during the design phase. However, due to close coordination between the local medical facility and the Office of Construction, necessary space adjustments to the new building have been made without significant cost increases, construction delays or both.

**John Cochran Division Major Construction Project**

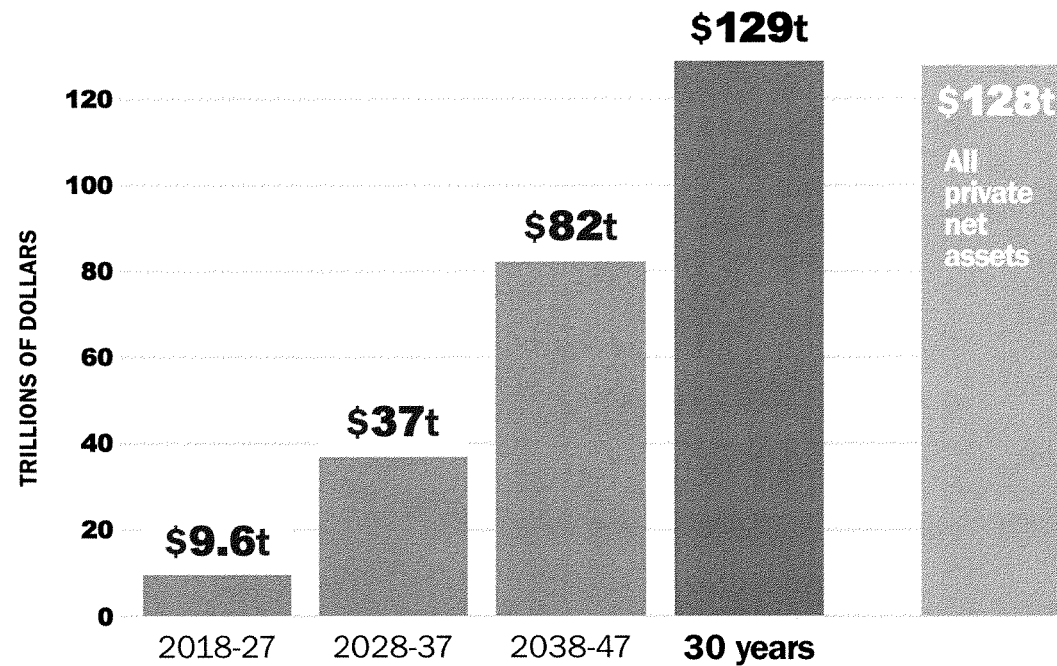
The John Cochran Major Project was funded for design in 2010. The project would construct a new inpatient bed tower and allow for the expansion of specialty care clinics. The total project cost was estimated at \$433.4 million. In 2015 each major construction project (including those that had available funding) was revaluated and rescored through SCIP to ensure the project's requirements were still valid and the project remained a high priority for the Department. The St. Louis JC project did not score high enough to be included in FY 2015 and 2016 budget request, and therefore it is not being actively developed by the Department at this time. The project is eligible to be reconsidered in SCIP and considered for funding in a future budget.

**Conclusion**

In closing, each day, we move toward our goal of improving and streamlining our processes in order to provide exceptional care that Veterans have earned and deserve. Mr. Chairman, this concludes my statement. Thank you for the opportunity to testify before the Committee today. I would be pleased to respond to questions from you and Members of the Committee.

# 30-YEAR PROJECTED DEFICITS

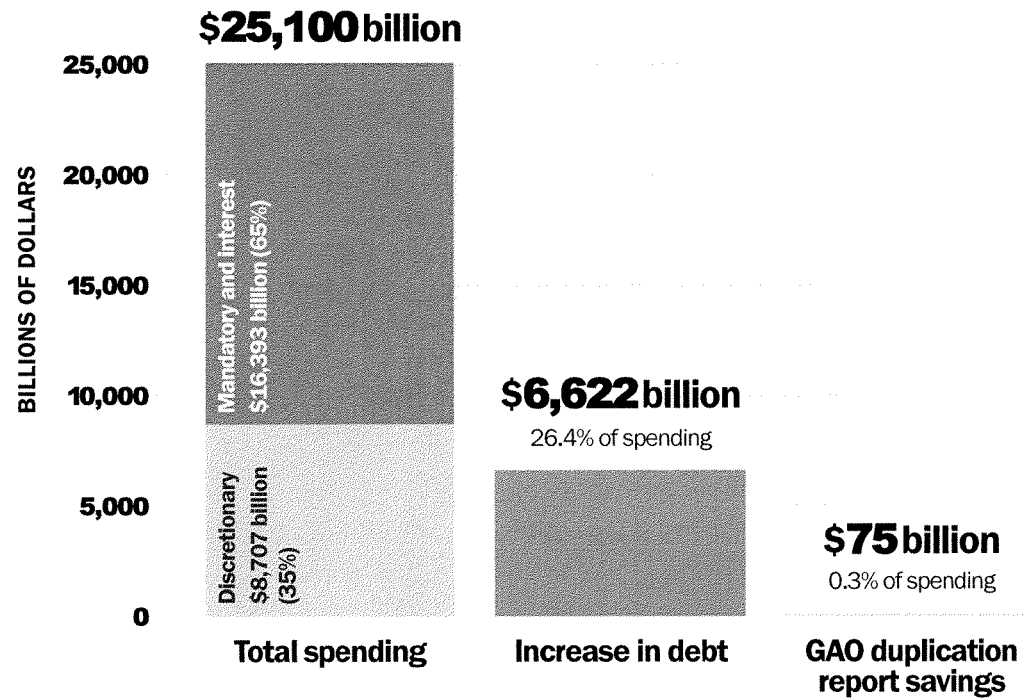
CBO ALTERNATE ASSUMPTIONS



Congressional Budget Office, Office of Management and Budget, Federal Reserve

RON JOHNSON  
U.S. SENATE

# SPENDING AND DEBT: 2010-16

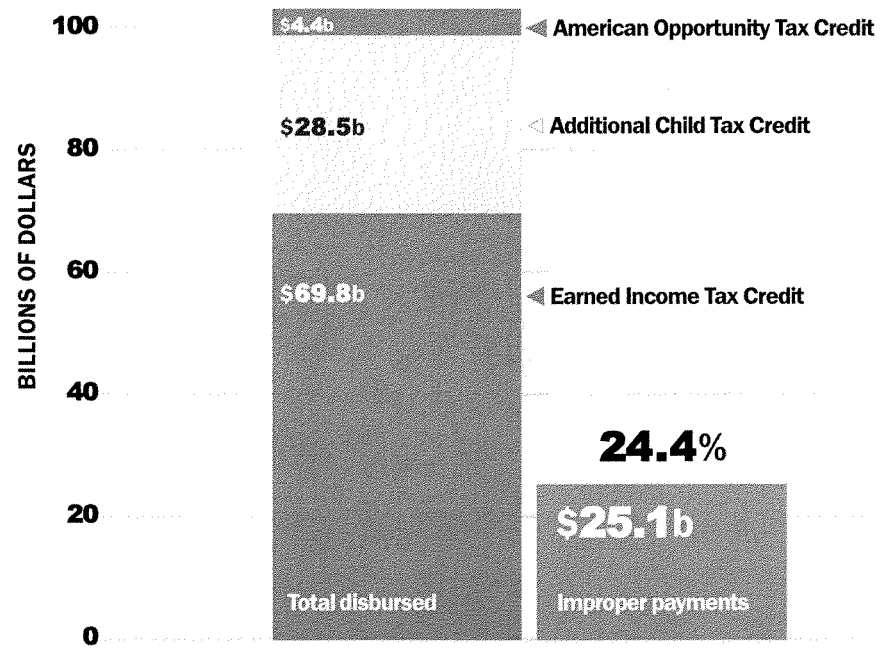


Office of Management and Budget, Department of the Treasury, Government Accountability Office

RON JOHNSON  
U.S. SENATE

# IMPROPER PAYMENTS

**\$102.7b**

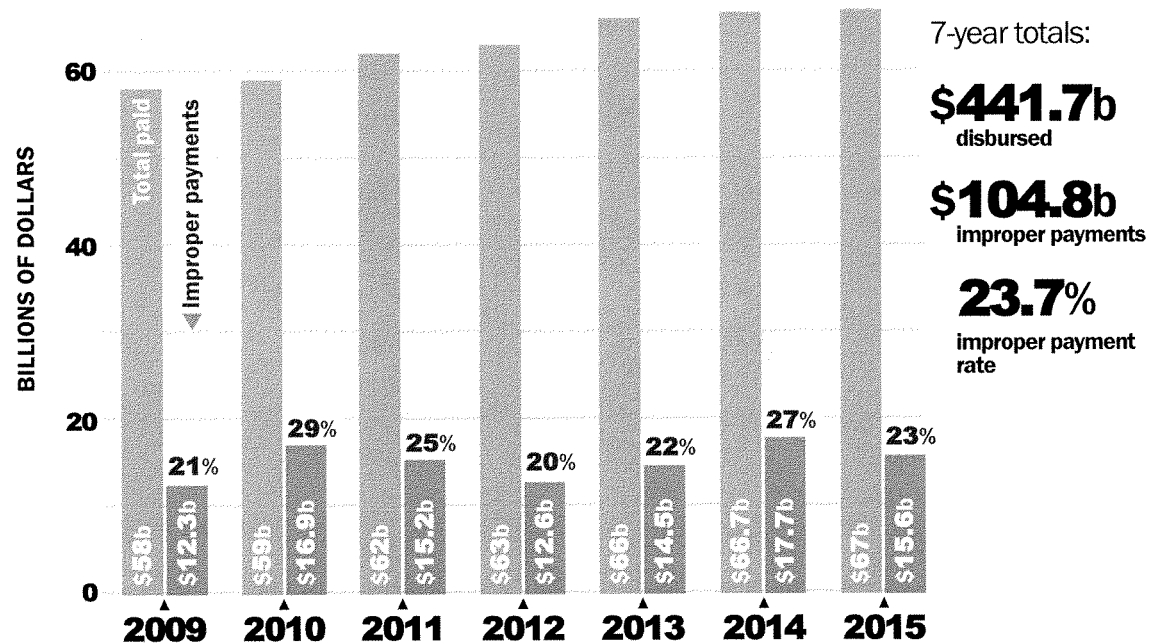


Treasury Inspector General for Tax Administration, IRS

RON  
JOHNSON  
U.S. SENATE

# IMPROPER PAYMENTS, 7 YEARS

EARNED INCOME TAX CREDITS

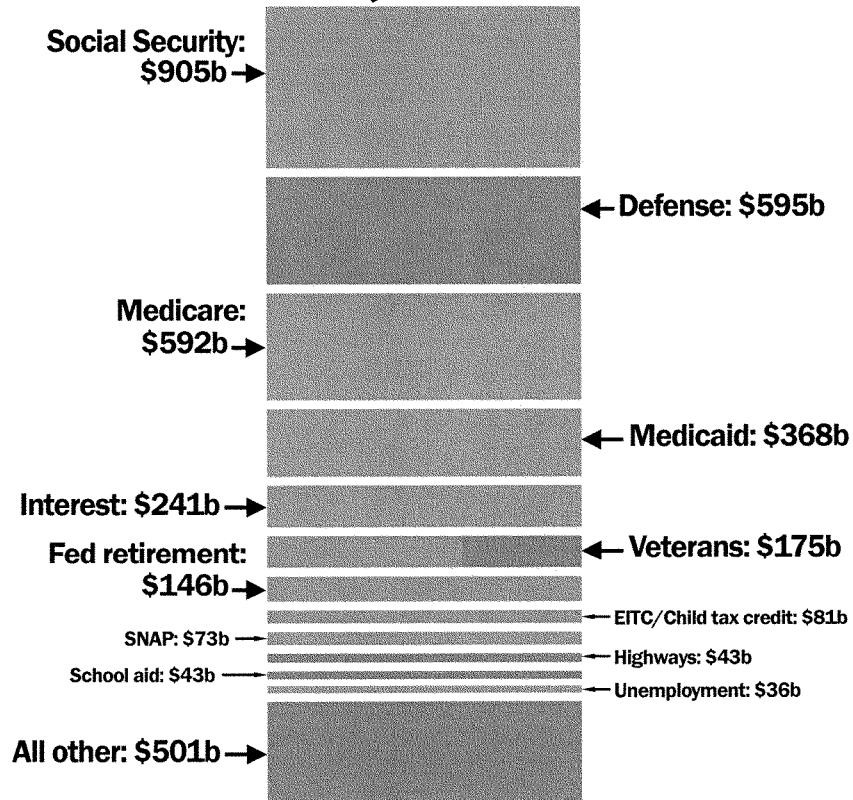


Treasury Inspector General for Tax Administration, IRS

RON JOHNSON  
U.S. SENATE

# FEDERAL BUDGET FY16

## \$3,854 billion



Treasury Bureau of the Fiscal Service, Congressional Budget Office



Post-Hearing Questions for the Record  
Submitted to the Honorable Gene Dodaro  
From Senator Gary Peters

“Duplication, Waste, and Fraud in Federal Programs”  
April 26, 2017

1. **Inspector General audits are an essential tool to ensure that taxpayer money is spent responsibly. Although Congress has made recent progress in reducing the administrative burden on our research universities by passing the American Innovation and Competitiveness Act, Dr. Blank raised concerns in her testimony that excessive audits can be counterproductive. How would you suggest threading the needle between reasonable and overly burdensome auditing processes that allow for effective oversight of taxpayer funds while promoting academic enterprise?**

Audits by offices of inspectors general are an important and necessary part of oversight of federally funded university research. As noted in our June 2016 report, when audits result in findings of noncompliance, such as grantees charging unallowable costs to grants, grantees may need to repay funding agencies for these costs.<sup>1</sup> Examples of inspector general audit findings cited in our report include instances of researchers (1) using grant funds for personal purchases and (2) charging their full-time salaries to federal grants at one university while simultaneously working full-time at another university or for-profit company.

Federal agencies that fund university research could help reduce any burden associated with audits of such research by implementing one of the recommendations in our report. Specifically, the Department of Energy, National Aeronautics and Space Administration, Department of Health and Human Services (HHS), and the National Science Foundation (NSF) should coordinate to identify additional areas where they can standardize administrative requirements for federal research grants. As noted in our report, some of the findings in recent audit reports by the HHS and NSF offices of inspector general stemmed from differences in how auditors, agencies, and universities interpreted requirements. Greater standardization could reduce universities' administrative workload and costs of learning and complying with agencies' varying requirements.

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<sup>1</sup>GAO, *Federal Research Grants: Opportunities Remain for Agencies to Streamline Administrative Requirements*, GAO-16-573 (Washington, D.C.: June 22, 2016).



2. **The GAO report on Federal Real Property Management published on January 3, 2017 found that GSA is leasing high-security space in 20 foreign owned buildings, occupied by 26 federal agencies. Many tenant agencies were unaware of their building's ownership and had not taken steps to mitigate attendant risks, which can include money laundering and unauthorized cyber and physical access. What are your biggest concerns about how unknown foreign ownership could be putting our agencies at risk and potentially adding to their costs?**

GSA's incomplete information and lack of policies and procedures regarding foreign ownership of high-security leased space may undermine the security of the tenants' facilities. When GSA does not know the beneficial owners of the high-security properties that it is leasing, it lacks information that should be shared with its tenants for their facility risk assessments. Moreover, when tenant agencies lack information about the beneficial owners of their high-security facilities, they may not correctly evaluate the security risks and, consequently, not take the most appropriate steps to secure their buildings, leaving the facilities vulnerable. In our January 2017 report, we recommended that GSA determine whether the beneficial owner of high-security space that GSA leases is a foreign entity and, if so, share that information with the tenant agencies so they can adequately assess and mitigate any security risks. In response, in March 2017, GSA implemented a policy requiring staff to check for foreign ownership in the System for Award Management (SAM), the federal acquisition and award system when leasing space and notify tenant agencies in such cases. However, because SAM does not necessarily identify beneficial owners, GSA's action does not fully implement the recommendation.

Regarding the security of the tenants' facilities, federal officials who assess foreign investments in the United States and some tenant agencies occupying high-security leased space told us that leasing space in foreign-owned buildings could present security risks such as espionage and unauthorized cyber and physical access. The Secret Service, for example, said that the protection of its information, technology, personnel, and space could be in jeopardy if the space were compromised through unannounced inspections, emergency repairs to the building, the use of foreign nationals to provide any type of service, and any unescorted access throughout the space by the facility owner or representatives. The Drug Enforcement Administration (DEA) indicated that its primary concern is the possible unauthorized access to its secure areas and information.

**Do GSA and agencies have the resources they need to effectively mitigate risk?**

We did not assess whether GSA and the agencies have the resources to effectively mitigate risk. However, knowledge of building ownership is a resource they are lacking.

**Would re-evaluating and changing these leases potentially save security costs over time?**

Our engagement sought to improve GSA's high-security tenants' ability to assess and address potential risks, but did not assess the costs of amending lease terms or adding mitigating factors related to foreign ownership. As a result, we believe that implementing our recommendation would improve the security of high-security spaces but any budgetary consequences remain unclear.

3. **In the report on Federal Real Property Management, GAO recommended that GSA determine whether the beneficial owner of high-security leased space is a foreign entity and, if so, share that information with tenant agencies so they can adequately assess and mitigate any security risks. GSA already uses several processes to collect data, but they provide incomplete information on foreign ownership: the System for Award Management (SAM) collects information on companies' immediate and highest-level owners; GSA checks lessors' names in the Excluded Parties List System and Treasury's Specially Designated Nationals and Blocked Persons List; and lessors self-identify as foreign entities on lease applications. In addition, under a 2016 FinCEN rule making, financial institutions must identify beneficial owners of all foreign-entity customers. According to GAO's report, "GSA officials said that they do not have the ability or authority to check foreign ownership beyond the sources currently available to them." Specifically, what additional processes could GSA implement to identify foreign beneficial and direct owners, for existing and new federal leases? Should GSA include more specific questions in SAM and lease agreements, work more closely with the Treasury Department to verify the information companies self-report, and/or keep a database of beneficial ownership information or other specific data?**

We believe that GSA should take steps to identify the beneficial owner and inform high-security tenants when the owner is foreign. In response, in March 2017, GSA implemented a policy requiring staff to check for foreign ownership in the federal acquisition and award system when leasing space and notify tenant agencies in such cases. For the purposes of our report, we did not explore additional processes that GSA could utilize, such as including more specific questions in SAM and lease agreements, working more closely with the Treasury Department, and/or keeping a database of beneficial ownership information or other specific data. We believe GSA would be in the best position to assess how to identify beneficial owners. We also believe that the identity of the beneficial owner—the person who ultimately owns and controls a company—is the most useful information for tenants, but SAM does not always include the beneficial owner of the property.

**Beyond these sources, does GSA need additional legal authorities to carry out these changes? What specific guidance has GAO given to GSA on this issue?**

GSA officials said that they do not have the ability or authority to check foreign ownership beyond certain sources currently available to them, but GSA agreed with our recommendation

to determine whether the beneficial owner of high-security space is a foreign entity and, if so, share that information with the tenant agencies for any needed security mitigation. Our recommendation did not prescribe how GSA should identify the beneficial owners of high-security space. Based on our review of relevant statutes and regulations, we did not find any clear indication as to whether GSA does or does not have the authority to check ownership more thoroughly than what is required by the Federal Acquisition Regulation. We did not provide GSA any specific guidance on this issue. However, implementing our recommendation could help GSA tenant agencies adequately assess and mitigate any security risks associated with foreign ownership. This was one of the recommendations included in GAO's May 25, 2017, priority recommendation letter to the Acting GSA Administrator. We will follow up on this recommendation to monitor GSA's progress in implementing it.

4. I was glad to see the attention paid to the issue of Government Purchase Cards to develop guidance that encourages federal officials to examine purchase card spending patterns to identify opportunities to obtain savings and to share information on such efforts. As one of the founders of Senate Payments Innovation Caucus, I believe the federal government must examine how organizations and agencies use purchase cards, and where possible, employ innovative practices to save time and money. Given that OMB has already established controls that reduce the risk of fraud, waste, and error in government charge card programs through the Circular A-123, it is concerning that GAO found that agencies in its small sample aren't following the guidance. Which agencies are responsible for monitoring adherence to the Circular A-123 among federal departments?

Circular A-123 requires an agency to incorporate purchase card data into strategic sourcing analysis and recommends that agencies review and analyze purchase card spending patterns for opportunities to negotiate discounts, improve buying processes, and leverage buying power. OMB issued Circular A-123 but agencies are responsible for ensuring their compliance with the circular.

**What else could OMB or GSA do to identify other agencies with shortcomings in compliance Circular A-123?**

Our May 2016 report on purchase cards examined purchase card buying at six agencies, including the Departments of Defense, Veterans Affairs, the Interior, Homeland Security, and Energy, and the Environmental Protection Agency.<sup>2</sup> We made one recommendation to all six agencies to identify and share information on local purchase card initiatives, and made recommendations to the Departments of Defense and Energy to analyze purchase card data. The agencies generally agreed with our recommendations and are beginning to implement them. While these recommendations are targeted to the agencies in our review, we think these principles can be more broadly applied. As OMB continues to implement its strategic sourcing initiatives, there may be opportunities for further analysis of purchase card spending patterns.

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<sup>2</sup>GAO, *Government Purchase Cards: Opportunities Exist to Leverage Buying Power*, GAO-16-526 (Washington, D.C. May 19, 2016).

Post-Hearing Questions for the Record  
Submitted to the Honorable Eugene L. Dodaro  
From Senator Steve Daines

“Duplication, Waste, and Fraud in Federal Programs”  
April 26, 2017

1. **The April 2017 report features the Social Security Administration’s Master Death File as a potential means for reducing the estimated over \$144 billion in improper payments as of FY16. Alone, OMB’s Do Not Pay working system prevented \$680,000 in improper payments in FY15, but your report suggests that integrating data from the Master Death File with the Do Not Pay system could provide a more complete source of information to prevent payments to the deceased. To your knowledge, are these agency distributions on auto-pilot other than death verification from a database? Do you believe it’s within the agencies statutory bounds to establish automatic criteria to remove suspected deceased people from payments, for example people recorded alive at age 125?**

Agencies are responsible for making determinations about the disbursement of payments or awards, consistent with legal authority. The processes for making these determinations will vary by program given their various eligibility requirements and legal authorities. For example, due process requirements may prohibit automatic removal of beneficiaries from program payments without affording them an opportunity to respond within a certain period. We are not aware of any agencies that use such automatic criteria, and we did not assess their statutory authority to do so.

For fiscal year 2016, 2.5 percent of the reported government-wide improper payment estimate was attributed to agencies’ failure to verify data—such as death data or financial data—even though such data exist in government or third-party databases. One technique to avoid making improper payments is to verify eligibility through the use of data matching. The Do Not Pay (DNP) working system, a web-based, centralized data matching service, is one of many tools agencies can use to verify eligibility.

In 2016, we reported that the 10 agencies we reviewed had used the DNP working system in limited ways, in part because of a lack of clear strategy and guidance from the Office of Management and Budget (OMB).<sup>3</sup>

- The most common way these agencies used the DNP working system was through its payment integration process, whereby the Department of the Treasury (Treasury) compares disbursements it makes with DNP databases. However, Treasury matches against only two databases (death data and excluded parties data), and because the matching is performed simultaneously with disbursement, agencies generally do not receive the results in time to prevent improper payments. For recurring payments, use of the payment integration process may help agencies avoid future improper payments, although an initial payment may not be identified as improper until after it has been made.

<sup>3</sup>GAO, *Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended*, GAO-17-15 (Washington, D.C.: Oct. 14, 2016).

- Further, because the payment integration process is built into Treasury's payment process, it does not compare payments disbursed through other means, such as payments made by the Defense Finance and Accounting Service (\$477 billion in fiscal year 2015).
- Aside from payment integration, we found that only 2 of the 10 agencies we reviewed used the DNP working system to review some of their payments on a pre-payment basis. Nine of the 10 agencies used some of the databases outside the DNP working system.
- OMB has not developed a strategy or communicated through guidance how it expects agencies to use the DNP working system. As a result, agencies may not effectively and efficiently use the system to help reduce improper payments.
- We recommended that OMB develop a strategy and communicate it through guidance to help ensure that agencies use the DNP working system effectively. OMB generally agreed with the concept of developing a strategy and stated that it would explore the concept further.

Although agencies can use data matching to verify eligibility and prevent improper payments, it is also important to note that agencies may not always have access to the information necessary to make eligibility determinations. For example, for fiscal year 2016, 23.8 percent of the reported government-wide improper payment estimate was attributed to authentication issues. In these cases, agencies determined that an improper payment occurred because, among other things, no databases or resources existed to help make an eligibility determination, a beneficiary failed to report information needed for determining eligibility, or statutory constraints prevented an agency from accessing information relevant for determining eligibility.

Specifically regarding death data, we reported in October 2016 that the DNP working system only has access to the Social Security Administration's Death Master File, which does not include state-reported death data. We asked Congress to consider amending the Social Security Act to explicitly allow the Social Security Administration to share its full death file—which includes state-reported death data—with Treasury for use through the DNP working system. Sharing the full death file through the DNP working system would provide agencies additional data to help avoid making payments to deceased individuals.

**Post-Hearing Questions for the Record  
Submitted to the Honorable J. Russell George  
From Senator Steve Daines**

**“Duplication, Waste, and Fraud in Federal Programs”  
April 26, 2017**

1. Mr. George’s written testimony mentioned that taxpayers claimed \$102 billion between three tax credits in 2015. Those credits were the *Earned Income Tax Credit*, the *Child Tax Credit*, and the *American Opportunity Tax Credit*. His written testimony also tells us that over \$25 billion (over 24% of claims in 2015) on average was improperly paid in FY16. Mr. George, as Congress considers tax reform in the coming months, what succinct measures should Congress consider to reduce improper payments? In what percentage of instances would you say that illegal immigrants were a direct cause of these improper payments?

**What succinct measures should Congress consider to reduce improper payments?**

The following legislative proposals would assist the IRS in improving the overall administration of refundable credits:

- *Providing the IRS with correctable error authority.* The IRS requested this authority most recently as part of its Fiscal Year 2017 budget submission. This would give Treasury regulatory authority to permit the IRS to correct errors in cases in which:
  - The information provided by the taxpayer does not match the information contained in Government databases. According to the IRS, reliable Government data sources include information obtained from the Social Security Administration, the Department of Health and Human Services, the Federal Bureau of Prisons, and the States’ Departments of Corrections.
  - The taxpayer has exceeded the lifetime limit for claiming a deduction or credit. In March 2015, we estimated that taxpayers received more than \$494 million in American Opportunity Tax Credits (AOTC) in Tax Year 2012 for students that had been claimed for the AOTC for more than the four-year lifetime credit limit.<sup>1</sup> We forecast that the IRS could pay more than \$4.2 billion in AOTCs over the next five years to taxpayers who claim a student for more than four years.
  - The taxpayer has failed to include documentation with his or her return that is required by statute.

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<sup>1</sup> TIGTA, Ref. No. 2015-40-027, *Billions of Dollars in Potentially Erroneous Education Credits Continue to be Claimed for Ineligible Students and Institutions* (Mar. 2015).

- Limit entities' ability to request extensions for filing the Form 1099-MISC, Miscellaneous Income, similar to the restrictions for Form W-2, Wage and Tax Statement, enacted by the Protecting Americans from Tax Hikes (PATH) Act<sup>2</sup> of 2015. The PATH Act accelerated the filing due date for Forms 1099-MISC to January 31 so that these forms would be available for use in verifying income at the time tax returns were filed. However, entities who file Form 1099-MISC can receive an automatic 30-day extension of time to file and may receive an additional 30-day extension upon request. As a result, forms filed using these extensions will not be available for use by the IRS in timely verifying income.

The following legislative proposals would improve the IRS's ability to verify the accuracy of AOTC claims:

- Accelerating the filing due date of the Form 1098-T, Tuition Statement, to January 31. In general, educational institutions are required to provide Form 1098-T to students no later than January 31 each year. The Form 1098-T includes the information needed to determine eligibility for the AOTC. However, educational institutions are not required to file the Form 1098-T with the IRS until March 31.<sup>3</sup> As such, these forms are not available for IRS use in verifying AOTC claims at the time the tax return is filed.

**In what percentage of instances would you say that illegal immigrants were a direct cause of these improper payments?**

We have not conducted analysis to address this question. However, to be eligible to claim the Earned Income Tax Credit (EITC), the primary taxpayer, spouse, and dependents on the tax return must have a valid Social Security Number. As such, an individual's immigration status is not a factor in the EITC improper payment rate. Based on our analysis of the IRS's National Research Program data, we estimated that \$7.2 billion in Additional Child Tax Credit payments were improper in Fiscal Year 2016.<sup>4</sup> Our further analysis of the IRS's National Research Program data determined that an estimated \$6.3 billion involve filers with a Social Security Number.<sup>5</sup> For the American Opportunity Tax Credit, we estimated that \$1.1 billion were improper in Fiscal Year 2016.<sup>6</sup> Based upon further analysis, we estimate that \$1 billion involve filers with a Social Security Number.<sup>7</sup>

<sup>2</sup> Consolidated Appropriations Act of 2016, Pub. L. No. 114-113, Div. Q (2015).

<sup>3</sup> February 28 for paper filed forms.

<sup>4</sup> We estimate that the potential ACTC improper payment rate for all Taxpayer Identification Number (TIN) types for Fiscal Year 2016 is between 22.7 percent and 27.8 percent and the potential improper payment dollars is between \$6.5 billion and \$7.9 billion.

<sup>5</sup> For those filers with an SSN, we estimate that the potential ACTC improper payment rate for Fiscal Year 2016 is between 19.4 percent and 24.7 percent and the potential improper payment dollars is between \$5.5 billion and \$7.1 billion.

<sup>6</sup> We estimate that the potential AOTC improper payment rate for all TIN types for Fiscal Year 2016 is between 19.6 percent and 28.7 percent and the potential improper payment dollars is between \$900 million and \$1.3 billion.

<sup>7</sup> For those filers with an SSN, we estimate that the potential AOTC improper payment rate for Fiscal Year 2016 is between 19.1 percent and 28.3 percent and the potential improper payment dollars is between \$800 million and \$1.2 billion.



**Answers to Questions for the Record  
Duplication, Waste, and Fraud in Federal Programs Hearing  
Committee on Homeland Security and Governmental Affairs  
United States Senate**

April 26, 2017

**Question from Senator Steve Daines**

**Question 1: My home state of Montana has urged the VA to build a 60-bed state-operated veterans' home in Butte for more than 6 years. The state provided its \$5 million cost share up-front in 2011, yet the project has languished near the bottom of the VA's "Priority 1" List since February of 2012. Mr. Repko, your home state of Missouri also has two projects on the "Priority 1" list. Can you speak to actions the VA is taking to improve the scheduling and management of these projects? Should we expect to see an inflection point in the speed of progress for these approved projects?**

VA Response: The rules governing how the Department of Veterans Affairs (VA) ranks applications for grants on the priority list are set by regulation at 38 Code of Federal Regulations 59.50. The wait time of each project on the list depends on the project's rank and amount of funding available for the program during any given fiscal year.

**Questions from Senator Jon Tester**

**Question 1: Please offer your perspective on the relationship between you and your staff, and VISN, and VA level staff who handle construction requirement development and procurement, and how you believe that relationship could be improved. Please focus on how better to handle the requirements development process.**

VA Response: VA has a great number of initiatives under way to increase Veterans' access to health care and benefits, which start at the local level by understanding the unique needs of the Veterans in our communities. Working harmoniously at the local, Veterans Integrated Services Network (VISN) and staff levels of VA, we have made great strides to reduce appointment wait times and to expand services to women Veterans and families, for example, but we can do more. The outcomes and results of VA construction projects at St. Louis have been achieved through such communications between the medical center, the VISN office, and VA Office of Construction and Facilities Management. As with all communications, there are opportunities to improve. VA St. Louis Leadership will continue to evaluate our relationship with department level construction offices to ensure communications are timely and enhance the requirements development process.

**Question 2: Please explain-from-your-perspective how VA can do a better job of communicating infrastructure needs and VA's plans to address those needs to stakeholders, like veterans' service organizations and local government.**

VA Response: On an annual basis, VA completes the Strategic Capital Investment Planning (SCIP) process. The SCIP process is a long range planning tool that integrates all capital investment needs across VA. SCIP drives investment and funding decisions by annually setting capital investment policy direction and objectives. Using gap analysis and projected utilization of services, SCIP identifies specific capital investments needed to close performance gaps in the areas of space, safety/compliance, security, utilization, access, seismic protection, facility condition deficiencies, parking, and energy.

The results of the SCIP process are included in VA's annual budget submission to Congress. VA's budget submission is available online. Volume IV, Construction and Long Range Capital Plan can be found at the following site: <https://www.va.gov/budget/docs/summary/fy2018VABudgetVolumeIVConstructionLongRangeCapitalPlanAndAppendix.pdf>. In addition to the budget submission, VA provides briefings on the SCIP process, the results, and the budget request to stakeholders, including members of Congress and their staff, Veterans' Service Organizations, and any other requestors. VA leadership also participates in Congressional budget hearings, where our capital needs are communicated to members of Congress and other witnesses and attendees.

VA is always looking for ways to further enhance its communication with stakeholders and is receptive to ideas the Senator may have to enhance VA's communication of its infrastructure needs and plans to stakeholders.